

## SOUTHERN WATER & SEWER DISTRICT

P.O. Box 610  
245 KY Rt. 680  
McDowell, KY 41647

Ph. (606) 377-9296 Fax. (606) 377-9286

March 6, 2007

Beth O'Donnell, Executive Director  
Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

MAR 08 2007

PUBLIC SERVICE  
COMMISSION

RE: **Southern Water & Sewer District**  
**Application for authority to borrow funds for property acquisition**

*Case No. 2007-00099*

Dear Ms. O'Donnell:

Southern Water & Sewer District is hereby making application to the Kentucky Public Service Commission for authorization to borrow funds via a conventional mortgage loan to purchase property that it presently occupies under a lease agreement with the current owner.

Southern Water & Sewer District (a Special District organized pursuant to KRS 74) currently leases property and building for its administrative offices, pipe and materials storage yard, and water distribution headquarters in McDowell, Kentucky from James W. Frasure dba Eastern Territory Leasing. Subsequent to evaluating our lease agreement and comparing rental costs to the cost of mortgage loan payments for purchase of the same facility, Southern Water & Sewer District is hereby requesting, pursuant to KRS 278.300, authorization from the Public Service Commission to purchase this property and secure a conventional bank loan for said purchase, as outlined in this application. Pertinent details related to the proposed purchase are as follows:

**NAME & ADDRESS OF APPLICANT:**

**APPLICANT:** **Southern Water & Sewer District**  
P.O. Box 610 / 245 Kentucky Route 680  
McDowell, Kentucky 41647  
Telephone: 606.377.9296 Fax: 606.377.9286  
Email: meyerl@bellsouth.net

**TYPE OF ORGANIZATION:** Special District created pursuant to KRS 74,  
previously filed with and approved by the Kentucky Public Service Commission.

Equal Opportunity Employer

**NAME AND ADDRESS OF SELLER:**

James W. Frasure dba Eastern Territory Leasing  
P.O. Box 337  
Allen, Kentucky 41601

**PROVISION OF LAW REQUIRING COMMISSION APPROVAL:**

KRS 278.300

**DESCRIPTION OF PROPERTY:** Southern Water & Sewer District presently leases a building and grounds located on Kentucky Route 680 in McDowell, Kentucky from James W. Frasure dba Eastern Territory Leasing. Included with the leased property is approximately one acre of land, a two story commercial building (2,400 sq. ft.), an 80' X 80' graveled and fenced storage area, and graveled parking area to accommodate 12 vehicles. These facilities are used for administrative offices, customer services, and storage area for vehicles, pipe, and materials for Southern Water's distribution and collection facilities. The building itself contains 5 offices, one conference room, two baths, and a large materials storage area. An independent appraisal was secured on the subject property in January, 2006, with the market value determined at \$208,500.00 (copy attached).

**ORIGINAL COST OF PROPERTY:** Based on the deed (copy attached) conveying property to James W. Frasure, consideration for the property was \$54,000.00

**COST TO APPLICANT:** Southern Water & Sewer District is purchasing the property from James W. Frasure dba Eastern Territory Leasing for \$175,000.00.

**NO STOCK IS TO BE ISSUED FOR THIS TRANSACTION.**

**PROPOSED FINANCING:** Southern Water & Sewer District proposes to acquire this property by securing a conventional mortgage loan with a qualified lending institution. The loan will be in the amount of \$167,500.00 (total purchase price of \$175,000.00 less \$7,500.00 paid with the purchase option and extensions) and will have a 10 year term. It will be secured with a first mortgage on the subject property. The District proposes to issue an RFP to lending institutions in order to obtain the most competitive interest rate. This RFP will be advertised subsequent to PSC approval of the proposed purchase transaction. Based on informal conversations with several banks, the interest rate will be in the range of 6% to 8%, depending on whether it is fixed for the full term or fixed for five years and variable for the next 5 years.

Based on the District's current lease agreement (copy attached), the District is obligated to pay a monthly rental fee of \$2,000.00. Assuming that the District is authorized to purchase the property, the mortgage loan payments would be \$1,860. per month (if the proposed loan was based on a 6% rate) or \$2,032. per month (if the proposed loan was based on an 8% rate). In either scenario, it is in the best financial interest of Southern Water & Sewer District to purchase the property as opposed to continuing to make lease payments.

**USE OF PROCEEDS:** All proceeds from the proposed loan will be utilized to pay for the acquisition of the above referenced property.

**OTHER INDEBTEDNESS:** The following documents are being submitted with this application:

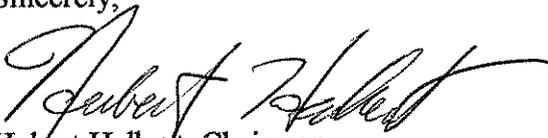
1. Current schedule of outstanding debt and amortization schedules for same.

**ADDITIONAL FINANCIAL INFORMATION:** Attached to this application are copies of the following:

1. Income statement and balance sheet for applicant for the twelve month period ending December 31, 2006.
2. Current year (2007) budget for applicant.

As chairman of the Southern Water & Sewer District Commission, with the concurrence and approval of the commissioners of the District, and having knowledge of the information and matters set forth herein, I am submitting this application and attachments. Please contact Bob Meyer, District Manager, at 606.377.9296 should you have need of any additional information or clarification.

Sincerely,

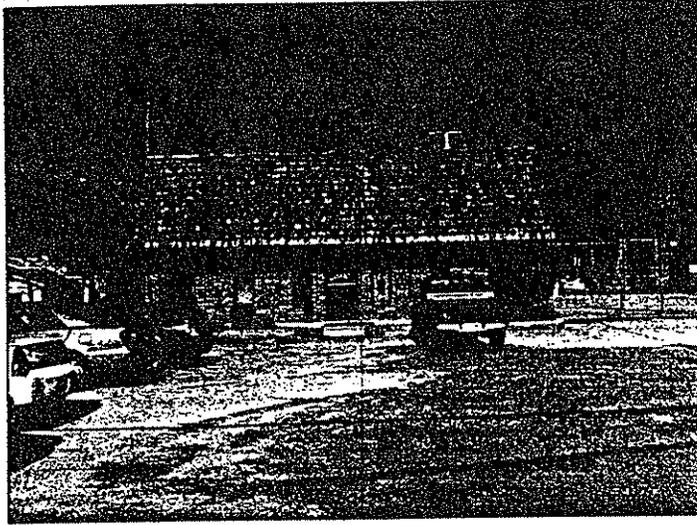


Hubert Halbert, Chairman  
Southern Water & Sewer District

Cc: Bob Meyer, District Manager  
Ralph Stevens, Attorney at Law

Enclosures:

1. Independent appraisal of property to be purchased.
2. Copy of deed conveying property to James W. Frasure, from whom Southern Water is purchasing property.
3. Copies of Purchase Option and extensions between James W. Frasure and Southern Water & Sewer District.
4. Current Lease Agreement between James W Frasure dba Eastern Territory Leasing and Southern Water & Sewer District.
5. Current schedule of outstanding debt for Southern Water & Sewer District and amortization schedules.
6. *Income Statement and Balance Sheet for Southern Water & Sewer District for 12 months ending 12/31/2006.*
7. 2007 Budget for Southern Water & Sewer District.



**APPRAISAL OF REAL PROPERTY**

**LOCATED AT:**

245 Ky. Route 680  
McDowell, Ky.

**FOR:**

James Frasure/Hubert Halbert  
245 Ky. Route 680, McDowell, Ky.

**BY:**

Otis Hansel Cooley, Sr.  
140 Brookside Street, Prestonsburg, Ky. 41653

## APPRAISAL INDEX

1. COVER PAGE
2. APPRAISAL INDEX
3. CERTIFICATION OF VALUE
4. STATEMENT OF LIMITING CONDITIONS REPORT
5. NARRATIVE
6. MULTI-PURPOSE ADDENDUM ( IF APPLICABLE )
7. APPROACHES
8. ENVIRONMENTAL ADDENDUM
9. USPAP COMPLIANCE ADDENDUM
10. SUBJECT PICTURES
11. COMPARABLE SALES PICTURES
12. SKETCH
13. VICINITY MAP OF SUBJECT AND COMPARABLE SALES
14. COPY OF DEED
15. FLOOD PLAIN INFORMATION
16. EASTERN KY. MARKET ANALYSIS ( IF APPLICABLE )
17. GENERAL CONDITIONS
18. ASSUMPTIONS AND LIMITING CONDITIONS
19. COPY OF APPRAISERS LICENSE
20. COPY OF APPRAISERS RESUME

1/19/2006

Southern Water and Sewer District

In accordance with your request for valuation, I personally inspected and prepared and appraisal report of the real property at:

RE: 245 Ky. Route 680  
McDowell, Floyd Co., Ky.  
Deed Book 447, Page 365  
In flood plain, FEMA reference map # 210069-0085B  
Zone A; Map date: 10/5/84

The purpose of this appraisal is to estimate the market value of the property described in the body of this appraisal report.

Enclosed please find the appraisal report which describes certain data gathered during the investigation of the property. The methods of approach and reasoning in the valuation of the various physical and economic factors of the subject property are contained in this report.

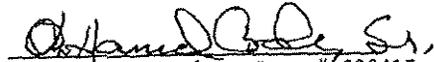
An inspection of the property and a study of pertinent factors, including valuation trends and an analysis of neighborhood data, leads the appraiser to the conclusion that the market value as of 01/19/2006 is :

TWO HUNDRED EIGHT THOUSAND FIVE HUNDRED DOLLARS

( \$ 208,500.00 ROUNDED )

The opinion expressed in this report is contingent upon the Limiting Conditions attached to this report. It has been a pleasure to assist you. If I may be of further service to you in the future, please let me know.

Respectfully submitted,



Otis Hansel Cooley, Sr. #/000415  
H. & F. Appraisals  
140 Brookside Street  
Prestonsburg, Ky. 41653

**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.

\*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustments should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgement.

#### STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION

**CONTINGENT AND LIMITING CONDITIONS:** The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. The separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

1. I have researched the subject market area and have selected a *minimum of three* recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the *subject property*, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.
2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.
5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.
8. I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.
9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

**SUPERVISORY APPRAISER'S CERTIFICATION:** If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that: I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

**ADDRESS OF PROPERTY APPRAISED:**

245 Ky. Route 680, McDowell, Ky. Deed Book 447, Page 365

**APPRAISER:**

Signature: Otis Hansel Cooley, Sr.  
 Name: Otis Hansel Cooley, Sr.  
 Date Signed: 11/27/06  
 State Certification #: 000415  
 or State License #: \_\_\_\_\_  
 State: KY.  
 Expiration Date of Certification or License: 6/30/2006

**SUPERVISORY APPRAISER (only if required):**

Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date Signed: \_\_\_\_\_  
 State Certification #: \_\_\_\_\_  
 or State License #: \_\_\_\_\_  
 State: \_\_\_\_\_  
 Expiration Date of Certification or License: \_\_\_\_\_

Did  Did Not Inspect Property

**SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT**

File No. d Sewer District

Property Address **245 Ky. Route 680** City **McDowell** State **KY.** Zip Code  
 Legal Description **Dead Book 447, Page 365** County **Floyd**  
 Assessor's Parcel No. **067-00-00-051.01** Tax Year **N/A** R.E. Taxes \$ **N/A** Special Assessments \$ **N/A**  
 Neighborhood or Project Name **Frasures Creek** Map Reference **067-051.01** Census Tract **N/A**  
 Borrower **Southern Water & Sewer Dist** Current Owner **James W. Frasure** Occupant  Owner  Tenant  Vacant   
 Property rights appraised  Fee Simple  Leasehold  Project Type  PUD  Condominium **N/A** HOA \$ **N/A** /Mo.  
 Sale Price \$ **N/A** Date of Sale **N/A** Description and \$ amount of loan charges/concessions to be paid by seller **N/A**  
 Lender/Client **J.W. Frasure/Southern Water** Address **P.O. Box 337, Allen, Ky. & 245 Rt. 680, McDowell, Ky**  
 Appraiser **Otis Hansel Cooley, Sr.** Address **140 Brookside Street, Prestonsburg, Ky. 41653**

Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Predominant Single Family Occupancy	Single family housing PRICE \$(000)	AGE (yrs)	Predominant 2-4 Family Occupancy	2-4 family housing PRICE \$(000)	AGE (yrs)
Built up	<input type="checkbox"/> Over 75%	<input checked="" type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	<input checked="" type="checkbox"/> Owner	90	45	<input type="checkbox"/> Owner	N/A	N/A
Growth Rate	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Slow	<input checked="" type="checkbox"/> Tenant	5	175	<input type="checkbox"/> Tenant	N/A	N/A
Property values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Vacant (0-5%)			<input type="checkbox"/> Vacant (0-5%)		
Demand/supply	<input checked="" type="checkbox"/> Shortage	<input type="checkbox"/> In balance	<input type="checkbox"/> Over supply	<input type="checkbox"/> Vacant (Over 5%)			<input type="checkbox"/> Vacant (Over 5%)		
Marketing time	<input type="checkbox"/> Under 3 mos.	<input checked="" type="checkbox"/> 3-6 mos.	<input type="checkbox"/> Over 6 mos.						

Typical 2-4 family bldg. Type **N/A** No. stories **N/A** No. units **N/A** Age **N/A** yrs. Present land use %  
 Typical rents \$ **N/A** to \$ **N/A**  Increasing  Stable  Declining  
 Est. neighborhood apt. vacancy **N/A** %  Increasing  Stable  Declining  
 Rent controls  Yes  No  Likely If yes or likely, describe **N/A**  
 Land use change  Not likely  Likely  
 In process to:  
 Commercial **5**  
 ( Vac. ) **5**

Note: Race and the racial composition of the neighborhood are not appraisal factors.  
 Neighborhood boundaries and characteristics: **included but not limited to Frasures Creek, McDowell and Floyd County.**

Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.):  
**There are no known or apparent adverse factors which should affect the subjects marketability. The improvements conform well to the surrounding neighborhood. The subject has access to all supporting facilities, including schools, shopping, recreation and employment.**

The following available listings represent the most current, similar, and proximate competitive properties to the subject property in the subject neighborhood. This analysis is intended to evaluate the inventory currently on the market competing with the subject property in the subject neighborhood and recent price and marketing time trends affecting the subject property. (Listings outside the subject neighborhood are not considered applicable). The listing comparables can be the rental or sale comparables if they are currently for sale.

ITEM	SUBJECT	COMPARABLE LISTING NO. 1	COMPARABLE LISTING NO. 2	COMPARABLE LISTING NO. 3
N/A		N/A	N/A	N/A
Address	N/A	N/A	N/A	N/A
Proximity to subject				
Listing price	\$	<input type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$	<input type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$	<input type="checkbox"/> Unf. <input type="checkbox"/> Furn. \$
Approximate GBA				
Data source				
# Units/Tot. rms./BR/BA				
Approximate year built				
Approx. days on market	N/A	N/A	N/A	N/A
Comparison of listings to subject property:	N/A			

Market conditions that affect 2-4 family properties in the subject neighborhood (including the above neighborhood indicators of growth rate, property values, demand/supply, and marketing time) and the prevalence and impact in the subject market area regarding loan discounts, interest buydowns and concessions, and identification of trends in listing prices, average days on market and any change over past year, etc.: **This is an average active market. No special financing, loan discounts, interest buy downs or concessions were found for the subject or comparable sales in this market.**

Dimensions DB: **447, PG.: 365** Topography **Flat/Rolling**  
 Site area **100+ x 228+-** Corner lot  No  Yes  
 Size **100+- x 228+-**  
 Shape **Rectangle**  
 Drainage **Appears Positive**  
 View **To Street**  
 Landscaping **Average**  
 Driveway **Gravel**  
 Apparent easements **As Recorded**  
 Utilities Public Other Off-site Improvements Type Public Private  
 Electricity  Street **Asphalt**    
 Gas  Curb/gutter    
 Water  Sidewalk    
 Sanitary sewer  **Private** Street lights    
 Storm sewer  **N/A** Alley    
 FEMA Special Flood Hazard Area  Yes  No  
 FEMA Zone **A** Map Date **10/5/84**  
 FEMA Map No. **210069-0085B**

Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning, use, etc.): **There are no known or apparent adverse easements or encroachments noted. Normal utility easements for electricity, phone, etc., do not negatively impact market value.**

**SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT**

<b>General Description</b>		<b>Exterior description (Materials/condition)</b>		<b>Foundation</b>		<b>Insulation (R-value if known)</b>	
Units/bldgs.	1, 1	Foundation	Concrete Slab	Slab	Concrete	<input type="checkbox"/> Roof	
Stories	1.5	Exterior Walls	Br./Metal	Crawl space	N/A	<input checked="" type="checkbox"/> Ceiling	Standard
Type (det/alt)	Detach	Roof surface	Wood Shakes/Metal	Sump Pump	N/A	<input checked="" type="checkbox"/> Walls	Standard
Design (style)	Rmblr/Bk./Met	Gutters & dwnspits	Alum.	Dampress	None Observed	<input type="checkbox"/> Floor	
Existing/proposed	Existing	Window type	D/Pane Vinyl Clad	Settlement	None Observed	<input type="checkbox"/> None	
Under construction	N/A	Storm sash/Screens	N/A	Infestation	None Observed	Adequacy	
Year Built	1955+-	Manufactured housing*	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Basement	N/A % of 1st floor area	Energy efficient items:	
Effective age(yrs.)	25+-	*(Complies with the HUD Manufactured Housing Construction and Safety Standards.)		Basement finish	N/A		

Units	Level(s)	Foyer	Living	Dining	Kitchen	Den	Family rm	Bedrooms	# Baths	Laundry	Other	Sq. ft./unit	Total
1	1							3	1				1492.5
	2							3	1				916.5
Unf Shop								1	1/2				960.76

Improvements contain: Rooms: Bedroom(s): 2.5 Bath(s): 3369.88 Square feet GROSS BUILDING AREA

GROSS BUILDING AREA (GBA) IS DEFINED AS THE TOTAL FINISHED AREA (INCLUDING COMMON AREAS) OF THE IMPROVEMENTS BASED UPON EXTERIOR MEASUREMENTS.

<b>Surfaces (Materials/condition)</b>	<b>Heating</b>	<b>Kitchen equip. (#/unit-cond.)</b>	<b>Attic</b>	<b>Car Storage</b>	<b>No. Cars</b>
Floors: Cpt/Vinyl/Av.	Type: GFWA (2)	Refrigerator: 1 / Average	<input checked="" type="checkbox"/> None	Garage	<input type="checkbox"/>
Walls: Panel/Sheetrk	Fuel: N.Gas	Range/oven: 1 / Average	<input type="checkbox"/> Stairs	Carport	<input type="checkbox"/>
Trim/finish: Wood/Average	Condition: Average	Disposal:	<input type="checkbox"/> Drop stair	Attached	<input type="checkbox"/>
Bath floor: Vinyl/Concret		Dishwasher:	<input type="checkbox"/> Scuttle	Detached	<input type="checkbox"/>
Bath Wainscot: Sheetrock/Blk	Cooling:	Fan/hood:	<input type="checkbox"/> Floor	Adequate	<input type="checkbox"/>
Doors: Wood	Central: EFCA (2)	Compactor:	<input type="checkbox"/> Heated	Inadequate	<input type="checkbox"/>
	Other:	Washer/dryer:	<input type="checkbox"/> Finished	Offstreet	<input type="checkbox"/>
	Condition: Average	Microwave:	<input type="checkbox"/> Unfinished	None	<input type="checkbox"/>
Fireplace(s): N/A		Intercom:			

Condition of the improvements, repairs needed, quality of construction, additional features, modernization, etc.: Subject reflects average materials and workmanship. Subject has a 8' chain link fence all around. Cedar shakes on marquee on front. Concrete sidewalk in front of subject.

Depreciation (physical, functional, and external inadequacies, etc.): The age life method was used for physical depreciation. No functional depreciation taken. External depreciation taken due to flooding potential.

Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: Subject located in the flood plain, therefore external depreciation taken.

ESTIMATED SITE VALUE		= \$	25,000	Comments on Cost Approach (such as, source of cost estimate, site value, square foot calculation and, for HUD and VA, the estimated remaining economic life of the property):
ESTIMATED REPRODUCTION COST - NEW OF IMPROVEMENTS:				
1,493 Sq. Ft. @ \$	55.00 = \$		82,090	The cost information was derived from the Boeckh Cost Guide and adjusted for local market. Several land sales were viewed and adjusted for area. The estimated remaining economic life is: 65 years +-.
917 Sq. Ft. @ \$	55.00 = \$		50,410	
961 Sq. Ft. @ \$	35.00 = \$		33,626	
Sq. Ft. @ \$	= \$			
Sq. Ft. @ \$	= \$			
Extra's: Fence, Walks,	= \$			
Marquee, Appliances	= \$		10,000	
	= \$			
	= \$			
	= \$			
Special Energy Efficient Items	= \$			
Porches, Patios, etc.	= \$			
Total Estimated Cost New	= \$		176,126	
Less				
Depreciation	35225	7045 = \$	42,270	
Depreciated Value of Improvements		= \$	133,856	
"As Is" Value of Site Improvements		= \$		
INDICATED VALUE BY COST APPROACH		= \$	158,856	

**SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT**

File No. d Sewer District

At least three rental comparables should be reported and analyzed in this section. The rental comparables should represent the most current rental information on properties as similar and proximate to the subject property as possible. (This comparison is based on current rental data, therefore, the rental comparables typically are not the same comparables used in the sales comparison analysis.) The appraisal report should assure the reader that the units and properties selected as comparables are comparable to the subject property (both the units and the overall property) and accurately represent the rental market for the subject property (unless otherwise stated within the report.)

ITEM	SUBJECT	COMPARABLE RENTAL NO. 1	COMPARABLE RENTAL NO. 2	COMPARABLE RENTAL NO. 3
Address	245 Ky. Route 680 McDowell, Ky.	Court Street Bingo Prestonsburg, Ky.		
Proximity to subject		9+- Miles S.E.		
Lease dates (if available)	6/1/00/5/31/05	1/1/05 12/31/05		
Rent survey date	1/25/06	1/25/06		
Data source	PVA/Owner	Owner		
Rent concessions	N/A	N/A		
Description of property - units, design, appeal, age, vacancies, and conditions	No. Units 1 No. Vac. 0	No. Units 1 No. Vac. 0	Yr. Blt: 1945	No. Units No. Vac. Yr. Blt.
	Yr. Blt: 1955+-			
	1	1		
	Rambler/Ave. Eff. 25 / 0 Average	Rambler/Ave. Eff. 40 / 0 Average		
Individual unit breakdown	Rm. Count Size	Rm. Count Size	Total	Rm. Count Size Total
	Tot Br Ba Sq. Ft.	Tot Br Ba Sq. Ft.	Monthly Rent	Tot Br Ba Sq. Ft. Monthly Rent
Individual unit breakdown	10 7 2.5 3319	3 1 2 6000	2000	
Utilities, furniture, and amenities included in rent	Lessee	Lessee		
Functional utility, basement, heating/cooling, project amenities, etc.	N/A	N/A		
	2 FWA/FCA	4 GFWA/EFCA		
	N/A	N/A		

Analysis of rental data and support for estimated market rents for the individual subject units (including the adjustments used, the adequacy of comparables, rental concessions, etc.)  
 It is hard to get rental market information for comparable rentals. Comp # 1 is a building that I have knowledge of the rental fee. I have read the subject lease in June of 2000 and ending on March 31, 2005. Even though rent starts at 1,500.00 per month for two years, 2,000.00 per month for the third year and 2,500.00 for the fourth and fifth year. That averages to 2,000.00 per month for 60 months or five years. Therefore, the income will be based on 2,000.00 per month.

**Subject's rents schedule** The rent schedule reconciles the applicable indicated monthly market rents to the appropriate subject unit, and provides the estimated rents for the subject property. The appraiser must review the rent characteristics of the comparable sales to determine whether estimated rents should reflect actual or market rents. For example, if actual rents were available on the sales comparables and used to derive the gross rent multiplier (GRM), actual rents for the subject should be used. If market rents were used to construct the comparables' rents and derive the GRM, market rents should be used. The total gross estimated rent must represent rent characteristics consistent with the sales comparable data used to derive the GRM. The total gross estimated rent is not adjusted for vacancy.

Unit	LEASES		No. Units Vacant	ACTUAL RENTS			ESTIMATED RENTS		
	Lease Date	End		Per Unit		Total Rents	Per Unit		Total Rents
				Unfurnished	Furnished		Unfurnished	Furnished	
1	1/1/05	12/31/05		\$ X	\$	\$ 24000.00	\$ N/A	\$ N/A	\$ 24000.00
1						\$ 24000.00			\$ 24000.00
Other monthly income (itemize)									\$
Vacancy: Actual last year 0 % Previous year % Estimated: % \$									Annually Total gross estimated rent \$ 24000.00
Utilities included in estimated rents: <input type="checkbox"/> Electric <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Gas <input type="checkbox"/> Oil <input type="checkbox"/> Trash collection <input type="checkbox"/>									

Comments on the rent schedule, actual rents, estimated rents (especially regarding differences between actual and estimated rents), utilities, etc.:  
**Actual rents are being used.**

**SMALL RESIDENTIAL INCOME PROPERTY APPRAISAL REPORT**

The undersigned has recited three recent sales of properties most similar and proximate to the subject property and has described and analyzed these in this analysis. If there is a significant variation between the subject and comparable properties, the analysis includes a dollar adjustment reflecting the market reaction to those items or an explanation supported by the market data. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the adjusted sales price of the comparable property; if a significant item in the comparable property is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the adjusted sales price of the comparable property. ((0) Sales Price + Gross Monthly Rent)

ITEM	SUBJECT	COMPARABLE SALE NO. 1			COMPARABLE SALE NO. 2			COMPARABLE SALE NO. 3		
Address	245 Ky. Rt. 680 McDowell, Ky.	McDowell Stop & Shop Rt. 122, McDowell, Ky			Route 122 Martin, Ky.			P.O. Box 132 Harold, Ky.		
Proximity to subject		1+ Mile N.W.			6+- Miles N.			12+- Miles S.E.		
Sales price	\$ N/A	Unf. <input type="checkbox"/> Furn. <input type="checkbox"/>			Unf. <input type="checkbox"/> Furn. <input type="checkbox"/>			Unf. <input type="checkbox"/> Furn. <input type="checkbox"/>		
Sales price per GBA	\$	\$			\$			\$		
Gross monthly rent	\$ 2,000.00	\$			\$			\$		
Gross mo. rent mult. (1)										
Sales price per unit	\$	\$			\$			\$		
Sales price per room	\$	N/A			N/A			N/A		
Data and/or	Inspection/									
Verification Sources	Owner	PVA # 2108360			PVA # 2096400			PVA # 130190		
ADJUSTMENTS	DESCRIPTION	DESCRIPTION	(-)\$ Adjustment	DESCRIPTION	(-)\$ Adjustment	DESCRIPTION	(-)\$ Adjustment			
Sales or financing concessions	N/A	N/A		N/A		N/A				
Date of sale/time	N/A	12/2004		5/2004		12/2004				
Location	Suburban	Suburban		Suburban		Suburban				
Leasehold/Fee Simple	L/H	Fee Simple		Fee Simple		Fee Simple				
Site	See Deed	Eq./Superior	-1500	100x250/Sup.	-2500	70x60/Super.	-5000			
View	To Street	To Street		To Street		To Street				
Design and appeal	Br./Metal/Av	Br./Metal/Ave		Metal/Average		Con.Blk./Ave.				
Quality of construction	Average	Average		Average		Average				
Age	A50+-/E25+-	A40+-/E30+-	-500	A35+-/E25+-		A50+-/E30+-	+500			
Condition	Average	Average		Average		Average				
Gross Building Area	3369.8	Sq.ft. 2720+-	Sq.ft. +6498	Sq.ft. 5000+-	Sq.ft. -16301	Sq.ft. 3997+-	Sq.ft. -6271			
Unit breakdown	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.	No. of units: Tot: Br: Ba: vac.			
	1 10 7 2 5 0 1	2 0		1 2 0		1 2 0				
Basement description	N/A	N/A		N/A		Unfinished	-1000			
Functional utility	Average	Average		Average		Average				
Heating/cooling	2 GFWA/EFCA	Unknown	+2000	Equal		1 Furnace	+2000			
Parking on/off site	On	On		On		On				
Project amenities and fee (if applicable)	8' Fence	N/A	+5000	Equal		N/A	+5000			
Net Adj. (total)			\$ 2,002		\$ 41,301		\$ 4,771			
Adjusted sales price of comparable			\$ 378,998		\$ 208,698		\$ 145,228			

Comments on sales comparison (including reconciliation of all indicators of value as to consistency and relative strength and evaluation of the typical investor's/purchaser's motivation in that market): **All three comparable sales were considered equally. The middle range of value was deemed more appropriate. It is noted comps 2 & 3 are over one mile from subject, but are considered the best available in subjects market area. See attached addendum titled Eastern Ky. Market Analysis.**

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data	N/A	D.O.S. 12/2004	D.O.S. 5/2004	D.O.S. 12/2004
Source for prior sales within year of appraisal	N/A	Consideration	Consideration	Consideration
		381,000.00	250,000.00	150,000.00

Analysis of any current agreement of sale, option, or listing of the subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal: **Subject nor any of the comparable sales are now listed for sale. All sales are closed sales.**

Total gross monthly estimated rent \$	x gross rent multiplier (GRM)	= \$	INDICATED VALUE BY INCOME APPROACH
Comments on income approach (including expense ratios, if available, and reconciliation of the GRM)			
<b>See attached Operation Income Statement</b>			
INDICATED VALUE BY SALES COMPARISON APPROACH		\$	208,698
INDICATED VALUE BY INCOME APPROACH		\$	226,872
INDICATED VALUE BY COST APPROACH		\$	158,827

This appraisal is made  "as is"  subject to the repairs, alterations, inspections, or conditions listed below  subject to completion per plans and specifications.

Comments and conditions of appraisal: **The indicated value is governed by the attached statement of limiting conditions.**

Final Reconciliation: **All three approaches were used in this appraisal. Sales comparison approach: middle range of value \$ 208,698.80 The cost approach: \$ 158,827.40 The income approach: \$ 226,872.90**

The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/Fannie Mae Form 1004B (Revised 6/93).

**(WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF 1/19/2006**

(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ **208,500**

APPRaiser: **Otis Hansel Cooley, Sr.** Signature: \_\_\_\_\_  
 Name: **Otis Hansel Cooley, Sr.** Name: \_\_\_\_\_  
 Date Report Signed: **1/27/06** Date Report Signed: \_\_\_\_\_  
 State Certification # **000415** State KY. State Certification # \_\_\_\_\_  
 Or State License # \_\_\_\_\_ Or State License # \_\_\_\_\_

Supervisory Appraiser (ONLY IF REQUIRED):  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date Report Signed: \_\_\_\_\_  
 State Certification # \_\_\_\_\_  
 Or State License # \_\_\_\_\_

Did  Did Not Inspect Property

# Operating Income Statement

## One- to Four-Family Investment Property and Two- to Four-Family Owner-Occupied Property

Sewer District

Property Address  
**245** Street **Ky. Route 680** City **McDowell** State **KY.** Zip Code

**General Instructions:** This form is to be prepared jointly by the loan applicant, the appraiser, and the lender's underwriter. The applicant must complete the following schedule indicating each unit's rental status, lease expiration date, current rent, market rent, and the responsibility for utility expenses. Rental figures must be based on the rent for an 'unfurnished' unit.

	Currently Rented	Expiration Date	Current Rent Per Month	Market Rent Per Month	Utility Expense	Paid By Owner	Paid By Tenant
Unit No. 1	Yes <input checked="" type="checkbox"/> No		\$ 2,000.00	\$ 2,000.00	Electricity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Unit No. 2	Yes No		\$	\$	Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Unit No. 3	Yes No		\$	\$	Fuel Oil	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Unit No. 4	Yes No		\$	\$	Fuel(Other)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Total</b>			\$	\$	Water/Sewer	<input type="checkbox"/>	<input checked="" type="checkbox"/>
					Trash Removal	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The applicant should complete all of the income and expense projections and for existing properties provide actual year-end operating statements for the past two years (for new properties the applicant's projected income and expenses must be provided). This Operating Income Statement and any previous operating statements the applicant provides must then be sent to the appraiser for review, comment, and/or adjustments next to the applicant's figures (e.g., Applicant/Appraiser 288/300). If the appraiser is retained to complete the form instead of the applicant, the lender must provide to the appraiser the aforementioned operating statements, mortgage insurance premium, HOA dues, leasehold payments, subordinate financing, and/or any other relevant information as to the income and expenses of the subject property received from the applicant to substantiate the projections. The underwriter should carefully review the applicant's/appraiser's projections and the appraiser's comments concerning those projections. The underwriter should make any final adjustments that are necessary to more accurately reflect any income or expense items that appear unreasonable for the market. Real estate taxes and insurance on these types of properties are included in PITI and not calculated as an annual expense item.) Income should be based on current rents, but should not exceed market rents. When there are no current rents because the property is proposed, new, or currently vacant, market rents should be used.

### Annual Income and Expense Projection for Next 12 months

	By Applicant/Appraiser	Adjustments by Lender's Underwriter
<b>Income</b> (Do not include income for owner-occupied units)		
Gross Annual Rental (from unit(s) to be rented)	\$ 24,000.00	\$
Other Income (include sources)	+	+
<b>Total</b>	\$ 24,000.00	\$
Less Vacancy/Rent Loss	- (0 %)	- ( %)
<b>Effective Gross Income</b>	\$ 24,000.00	\$
<b>Expenses</b> (Do not include expenses for owner-occupied units)		
Electricity		
Gas		
Fuel Oil		
Fuel (Type- )		
Water/Sewer		
Trash Removal		
Pest Control		
Other Taxes or Licenses	-532.71	
Casual Labor		
This includes the costs for public area cleaning, snow removal, etc., even though the applicant may not elect to contract for such services.		
Interior Paint/Decorating		
This includes the costs of contract labor and materials that are required to maintain the interiors of the living units.		
General Repairs/Maintenance	-300.00	
This includes the costs of contract labor and materials that are required to maintain the public corridors, stairways, roofs, mechanical systems, grounds, etc.		
Management Expenses		
These are the customary expenses that a professional management company would charge to manage the property.		
Supplies		
This includes the costs of items like light bulbs, janitorial supplies, etc.		
Total Replacement Reserves - See Schedule on Pg. 2		
Miscellaneous	-480.00	
<b>Net operating income:</b>	\$ 22,687.29	
<b>Total Operating Expenses</b>	\$ -1,312.71	\$

**Replacement Reserve Schedule**

Adequate replacement reserves must be calculated regardless of whether actual reserves are provided for on the owner's operating statements or are customary in the local market. This represents the total average yearly reserves. Generally, all equipment and components that have a remaining life of more than one year - such as refrigerators, stoves, clothes washers/dryers, trash compactors, furnaces, roofs, and carpeting, etc. - should be expensed on a replacement cost basis.

Equipment	Replacement Cost	Remaining Life	By Applicant/ Appraiser	Lender Adjustments
Stoves/Ranges	@ \$ <u>N/A</u>	<u>N/A</u> Yrs. x	Units = \$ <u>N/A</u>	\$ <u>N/A</u>
Refrigerators	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
Dishwashers	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
A/C Units	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
C. Washers/Dryers	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
HW Heaters	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
Furnace(s)	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
(Other)	@ \$ _____	+ _____ Yrs. x	Units = \$ _____	\$ _____
Roof	@ \$ _____	+ _____ Yrs. x One Bldg. =	\$ _____	\$ _____
<b>Carpeting (Wall to Wall)</b>				
		Remaining Life		
(Units)	<u>N/A</u> Total Sq. Yds. @ \$ <u>N/A</u>	Per Sq. Yd. + <u>N/A</u> Yrs. =	\$ <u>N/A</u>	\$ <u>N/A</u>
(Public Areas)	<u>N/A</u> Total Sq. Yds. @ \$ <u>N/A</u>	Per Sq. Yd. + <u>N/A</u> Yrs. =	\$ <u>N/A</u>	\$ <u>N/A</u>
<b>Total Replacement Reserves. (Enter on Pg. 1)</b>			\$ _____	\$ _____

**Operating Income Reconciliation**

\$ <u>24,000.00</u>	- \$ <u>1,312.71</u>	= \$ <u>22,687.29</u>	+ 12 = \$ <u>1,890.60</u>
Effective Gross Income	Total Operating Expenses	Operating Income	Monthly Operating Income
\$ _____	- \$ _____	= \$ _____	
Monthly Operating Income	Monthly Housing Expense	Net Cash Flow	

(Note: Monthly Housing Expense includes principal and interest on the mortgage, hazard insurance premiums, real estate taxes, mortgage insurance premiums, HOA dues, leasehold payments, and subordinate financing payments.)

**Underwriter's instructions for 2-4 Family Owner-Occupied Properties**

- If Monthly Operating Income is a positive number, enter as 'Net Rental Income' in the 'Gross Monthly Income' section of Freddie Mac Form 65/Fannie Mae Form 1003. If Monthly Operating Income is a negative number, it must be included as a liability for qualification purposes.
- The borrower's monthly housing expense-to-income ratio must be calculated by comparing the total Monthly Housing Expense for the **subject property** to the borrower's stable monthly income.

**Underwriter's instructions for 1-4 Family Investment Properties**

- If Net Cash Flow is a positive number, enter as 'Net Rental Income' in the 'Gross Monthly Income' section of Freddie Mac Form 65/Fannie Mae Form 1003. If Net Cash Flow is a negative number, it must be included as a liability for qualification purposes.
- The borrower's monthly housing expense-to-income ratio must be calculated by comparing the total Monthly Housing Expense for the borrower's **primary residence** to the borrower's stable monthly income.

**Appraiser's Comments (Including sources for data and rationale for the projections)**

Appraiser Name Otis Hansel Cooley, Sr.

Appraiser Signature *Otis Hansel Cooley, Sr.* Date 11/27/06

**Underwriter's Comments and Rationale for Adjustments**

Underwriter Name \_\_\_\_\_

Underwriter Signature \_\_\_\_\_

Date \_\_\_\_\_

**MARKET VALUE :**

Most probable price property will bring in an open market with buyer and seller each acting prudently and knowledgeably.

Buyer and seller are typically motivated. Both parties are well informed or well advised, each acting in what he considered his own best interest. A reasonable time is allowed for exposure in the open market. Payment is made in cash or financial arrangement, has to be sold unaffected by special financing or other consideration.

**APPROACHES TO VALUE :**

There are three basic approaches to value which may be utilized by an appraiser in estimating the market value of real estate. There are the Sales Comparison, the Cost and the Income approaches. All three approaches must rely upon data obtained from the real estate market at the time of the appraisal with different techniques of analysis and application as guided by the type of real property to be appraised.

In the Sales Comparison Approach, the appraiser studies the market and selects the sales of properties most comparable to the property and / or improvements being appraised, generally, the most current and similar comparable sales.

In the Cost Approach, an estimate is determined for the site value, to which is added the depreciated reproduction cost or replacement cost ( new ) of the improvements as of the date of the appraisal.

The Income Approach is used by very few appraisers for single family homes because of lack of available data. It is the one used most often when income-producing property or investment real estate is being appraised. The technique is to estimate the net economic rent which the real estate will bring to its owner over a number of years and then to capitalize this future benefit into its present worth or market value.

**RECONCILIATION :**

Most weight was given to the value estimated derived by the market/comparable sales approach.

**DEPRECIATION:**

Depreciation is a loss of value due to any cause. It is the difference between the value of a building or equipment and its reproduction or replacement cost new as of the date of valuation. There are three general accepted causes of depreciation : physical depreciation, functional depreciation and external obsolescence.

Physical deterioration is caused by wear and tear on the improvements and causes a loss of value of the property. There are two types of physical depreciation : curable, which are repairs that would cost less than the increase in value after the repairs are done and incurable which refers to worn out parts of the house and the costs to fix these items is greater than the potential value increase after repairs.

Functional obsolescence is the loss of value due to the lack of utility or desirability of all or part of the property. It refers to those items which do not meet current design or material standards. Some are curable and others are not.

External obsolescence is a loss of value due to causes outside of the property, such as a change in zoning, traffic pattern or supply / demand. These factors can cause property value losses and are unique to real estate due to its fixed location.

**HIGHEST AND BEST USE:**

Real estate is appraised in terms of its highest and best use, which may or may not correspond to its present use. Defined, highest and best use is the use of the land which, at the time of appraisal, is legal and which will yield the highest net return in the reasonably foreseeable future. The assumption that the property will be put to its highest and best use is the basis for the valuation.

# ENVIRONMENTAL ADDENDUM

## APPARENT\* HAZARDOUS SUBSTANCES AND/OR DETRIMENTAL ENVIRONMENTAL CONDITIONS

Borrower	Southern Water and Sewer District		
Address	245 Ky. Route 680		
City	McDowell	County	Floyd
		State	KY.
		Zip Code	
Lender/Client	Southern Water and Sewer District / James W. Frasure		

\* Apparent is defined as that which is visible, obvious, evident or manifest to the appraiser.

This universal Environmental Addendum is for use with any real estate appraisal. Only the statements which have been checked by the appraiser apply to the property being appraised.

This addendum reports the results of the appraiser's routine inspection of and inquiries about the subject property and its surrounding area. It also states what assumptions were made about the existence (or nonexistence) of any hazardous substances and/or detrimental environmental conditions. **The appraiser is not an expert environmental inspector** and therefore might be unaware of existing hazardous substances and/or detrimental environmental conditions which may have a negative effect on the safety and value of the property. It is possible that tests and inspections made by a qualified environmental inspector would reveal the existence of hazardous materials and/or detrimental environmental conditions on or around the property that would negatively affect its safety and value.

### DRINKING WATER

- Drinking Water is supplied to the subject from a municipal water supply which is considered safe. However, the only way to be absolutely certain that the water meets published standards is to have it tested at all discharge points.
- Drinking Water is supplied by a well or other non-municipal source. It is recommended that tests be made to be certain that the property is supplied with adequate pure water.
- Lead can get into drinking water from its source, the pipes, at all discharge points, plumbing fixtures and/or appliances. The only way to be certain that water does not contain an unacceptable lead level is to have it tested at all discharge points.
- The value estimated in this appraisal is based on the assumption that there is an adequate supply of safe, lead-free Drinking Water.

Comments \_\_\_\_\_

### SANITARY WASTE DISPOSAL

- Sanitary Waste is removed from the property by a municipal sewer system.
- Sanitary Waste is disposed of by a septic system or other sanitary on site waste disposal system. The only way to determine that the disposal system is adequate and in good working condition is to have it inspected by a qualified inspector.
- The value estimated in this appraisal is based on the assumption that the Sanitary Waste is disposed of by a municipal sewer or an adequate property permitted alternate treatment system in good condition.

Comments \_\_\_\_\_

### SOIL CONTAMINANTS

- There are no apparent signs of Soil Contaminants on or near the subject property (except as reported in Comments below). It is possible that research, inspection and testing by a qualified environmental inspector would reveal existing and/or potential hazardous substances and/or detrimental environmental conditions on or around the property that would negatively affect its safety and value.
- The value estimated in this appraisal is based on the assumption that the subject property is free of Soil Contaminants.

Comments \_\_\_\_\_

### ASBESTOS

- All or part of the improvements were constructed before 1979 when Asbestos was a common building material. The only way to be certain that the property is free of friable and non-friable Asbestos is to have it inspected and tested by a qualified Asbestos inspector.
- The improvements were constructed after 1979. No apparent friable Asbestos was observed (except as reported in Comments below).
- The value estimated in this appraisal is based on the assumption that there is no uncontained friable Asbestos or other hazardous Asbestos material on the property.

Comments \_\_\_\_\_

### PCBS (POLYCHLORINATED BIPHENYLS)

- There were no apparent leaking fluorescent light ballasts, capacitors or transformers anywhere on or nearby the property (except as reported in Comments below).
- There was no apparent visible or documented evidence known to the appraiser of soil or groundwater contamination from PCBs anywhere on the property (except as reported in Comments below).
- The value estimated in this appraisal is based on the assumption that there are no uncontained PCBs on or nearby the property.

Comments \_\_\_\_\_

### RADON

- The appraiser is not aware of any Radon tests made on the subject property within the past 12 months (except as reported in Comments below).
- The appraiser is not aware of any indication that the local water supplies have been found to have elevated levels of Radon or Radium.
- The appraiser is not aware of any nearby properties (except as reported in Comments below) that were or currently are used for uranium, thorium or radium extraction or phosphate processing.
- The value estimated in this appraisal is based on the assumption that the Radon level is at or below EPA recommended levels.

Comments \_\_\_\_\_

**USTS (UNDERGROUND STORAGE TANKS)**

- \_\_\_\_\_ There is no apparent visible or documented evidence known to the appraiser of any USTs on the property nor any known historical use of the property that would likely have had USTs.
- \_\_\_\_\_ There are no apparent petroleum storage and/or delivery facilities (including gasoline stations or chemical manufacturing plants) located on adjacent properties (except as reported in Comments below).
- \_\_\_\_\_ There are apparent signs of USTs existing now or in the past on the subject property. It is recommended that an inspection by a qualified UST inspector be obtained to determine the location of any USTs together with their condition and proper registration if they are active; and if they are inactive, to determine whether they were deactivated in accordance with sound industry practices.
- X** The value estimated in this appraisal is based on the assumption that any functioning USTs are not leaking and are properly registered and that any abandoned USTs are free from contamination and were properly drained, filled and sealed.

Comments \_\_\_\_\_

**NEARBY HAZARDOUS WASTE SITES**

- \_\_\_\_\_ There are no apparent Hazardous Waste Sites on the subject property or nearby the subject property (except as reported in Comments below). Hazardous Waste Site search by a trained environmental engineer may determine that there is one or more Hazardous Waste Sites on or in the area of the subject property.
- X** The value estimated in this appraisal is based on the assumption that there are no Hazardous Waste Sites on or nearby the subject property that negatively affect the value or safety of the property.

Comments \_\_\_\_\_

**UREA FORMALDEHYDE (UFFI) INSULATION**

- \_\_\_\_\_ All or part of the improvements were constructed before 1982 when UREA foam insulation was a common building material. The only way to be certain that the property is free of UREA formaldehyde is to have it inspected by a qualified UREA formaldehyde inspector.
- \_\_\_\_\_ The improvements were constructed after 1982. No apparent UREA formaldehyde materials were observed (except as reported in Comments below).
- X** The value estimated in this appraisal is based on the assumption that there is no significant UFFI insulation or other UREA formaldehyde material on the property.

Comments \_\_\_\_\_

**LEAD PAINT**

- \_\_\_\_\_ All or part of the improvements were constructed before 1980 when Lead Paint was a common building material. There is no apparent visible or known documented evidence of peeling or flaking Lead Paint on the floors, walls or ceilings (except as reported in Comments below). The only way to be certain that the property is free of surface or subsurface Lead Paint is to have it inspected by a qualified inspector.
- \_\_\_\_\_ The improvements were constructed after 1980. No apparent Lead Paint was observed (except as reported in Comments below).
- X** The value estimated in this appraisal is based on the assumption that there is no flaking or peeling Lead Paint on the property.

Comments \_\_\_\_\_

**AIR POLLUTION**

- \_\_\_\_\_ There are no apparent signs of Air Pollution at the time of the inspection nor were any reported (except as reported in Comments below). The only way to be certain that the air is free of pollution is to have it tested.
- X** The value estimated in this appraisal is based on the assumption that the property is free of Air Pollution.

Comments \_\_\_\_\_

**WETLANDS/FLOOD PLAINS**

- \_\_\_\_\_ The site does not contain any apparent Wetlands/Flood Plains (except as reported in Comments below). The only way to be certain that the site is free of Wetlands/Flood Plains is to have it inspected by a qualified environmental professional.
- \_\_\_\_\_ The value estimated in this appraisal is based on the assumption that there are no Wetlands/Flood Plains on the property (except as reported in Comments below).

Comments Subject located in the flood plain. FEMA map # 210069-0085B, Zone A, Map date 10/5/84

**MISCELLANEOUS ENVIRONMENTAL HAZARDS**

- \_\_\_\_\_ There are no other apparent miscellaneous hazardous substances and/or detrimental environmental conditions on or in the area of the site except as indicated below:
  - \_\_\_\_\_ Excess Noise \_\_\_\_\_
  - \_\_\_\_\_ Radiation & Electromagnetic Radiation \_\_\_\_\_
  - \_\_\_\_\_ Light Pollution \_\_\_\_\_
  - \_\_\_\_\_ Waste Heat \_\_\_\_\_
  - \_\_\_\_\_ Acid Mine Drainage \_\_\_\_\_
  - \_\_\_\_\_ Agricultural Pollution \_\_\_\_\_
  - \_\_\_\_\_ Geological Hazards \_\_\_\_\_
  - \_\_\_\_\_ Nearby Hazardous Property \_\_\_\_\_
  - \_\_\_\_\_ Infectious Medical Wastes \_\_\_\_\_
  - \_\_\_\_\_ Pesticides \_\_\_\_\_
  - \_\_\_\_\_ Others (Chemical Storage & Storage Drums, Pipelines, etc.) \_\_\_\_\_
- X** The value estimated in this appraisal is based on the assumption that there are no Miscellaneous Environmental Hazards (except those reported above) that would negatively affect the value of the property.

*When any of the environmental assumptions made in this addendum are not correct, the estimated value in this appraisal may not be valid.*

**NEW CERTIFICATE REQUIRED BY USPAP 3/31/99**

USPAP SIGNED

I certify that to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property assistance must be stated.)

  
Otis Hansel Cooley, Sr.  
H. & F. Appraisals  
140 Brookside Street  
Prestonsburg, Ky. 41653

Date: 1/27/08

#### MARKET CONDITIONS IN NEIGHBORHOOD

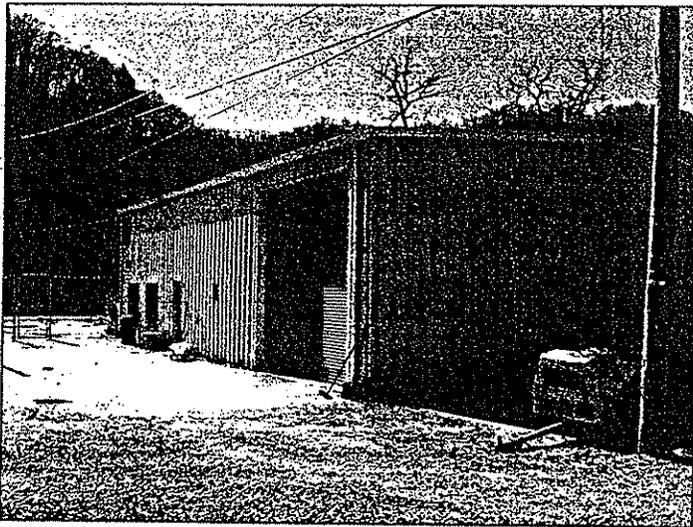
Quoting USPAP, exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. An appraiser, when purpose of assignment is telling intended user(s) in order for your real property interest to have a market value indicated in report, on the noted effective date, it would have been exposed for X amount of time. Marketing time is NOT the same thing as exposure time. Marketing time deals with time after date of appraisal and exposure time is prior to date of appraisal. Marketing time and exposure time opinions can be equal; particularly when no immediate market changes are anticipated. Marketing time includes some basic elements as exposure time with one exception, marketing time includes anticipated changes in market conditions. The exposure time of the subject report is based upon statistical information about days on market, information gathered through sale verification, interviews of market participants, and other sources. USPAP Statement 6 deals with exposure time. Based upon this Statement reasonable exposure time is one of a series of conditions in most market value definitions. EXPOSURE TIME IS ALWAYS PRESUMED TO PRECEDE THE EFFECTIVE DATE OF THE APPRAISAL. For the subject report, based upon the aforementioned analysis as well as analysis throughout this report. Exposure time is 6 months.

# Photograph Addendum

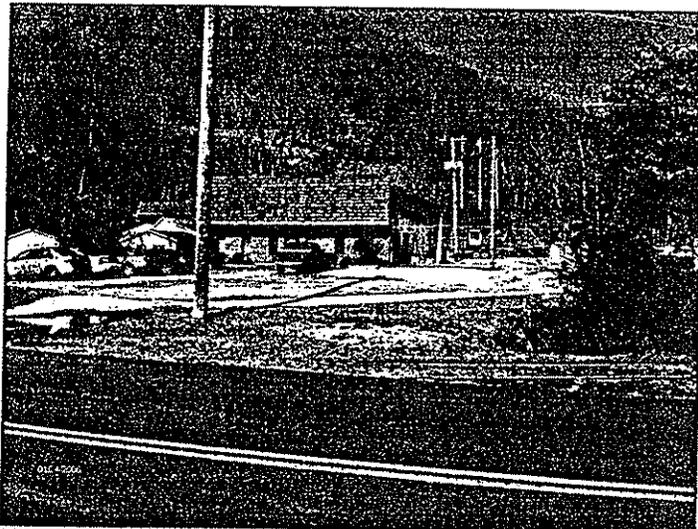
Borrower Southern Water and Sewer District	
Property Address 245 Ky. Route 680	
City McDowell	County Floyd
State Ky.	Zip Code
Lender/Client James Frasure/Hubert Halbert Lender's Address 245 Ky. Route 680, McDowell, Ky.	
Appraiser Otis Hansel Cooley, Sr.	Appraiser's Address 140 Brookside Street, Prestonsburg, Ky. 41653



**Subject Front**



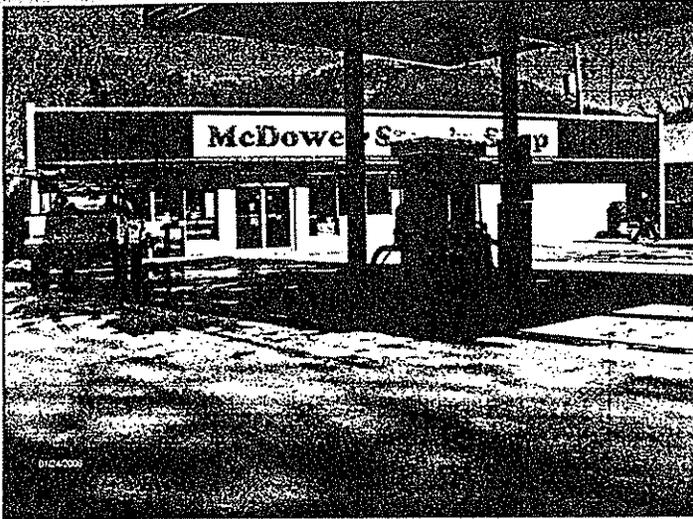
**Subject Rear**



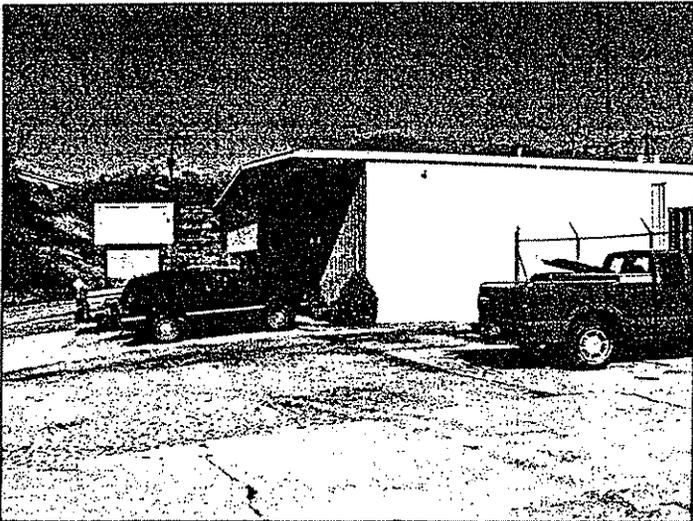
**Subject Street**

# Photograph Addendum

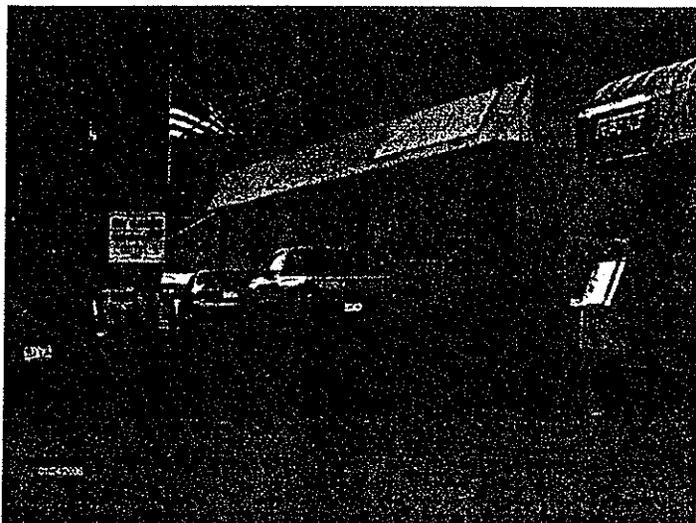
Borrower Southern Water and Sewer District	
Property Address 245 Ky. Route 680	
City McDowell	County Floyd
State Ky.	Zip Code
Lender/Client James Frasure/Hubert Halbert Lender's Address 245 Ky. Route 680, McDowell, Ky.	
Appraiser Otis Hansel Cooley, Sr. Appraiser's Address 140 Brookside Street, Prestonsburg, Ky. 41653	



**Comparable 1**



**Comparable 2**



**Comparable 3**

SKETCH/ADDENDUM

Borrower/Client Southern Water and Sewer District

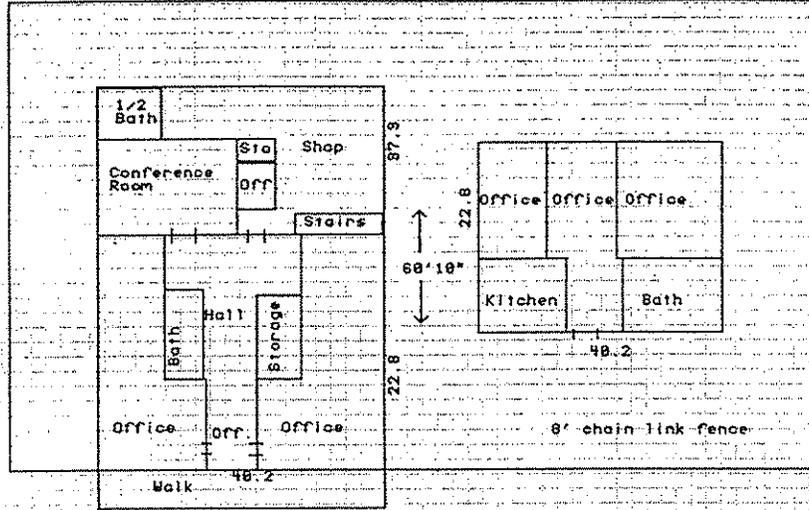
Property Address 245 Ky. Rt. 680

City McDowell County Floyd

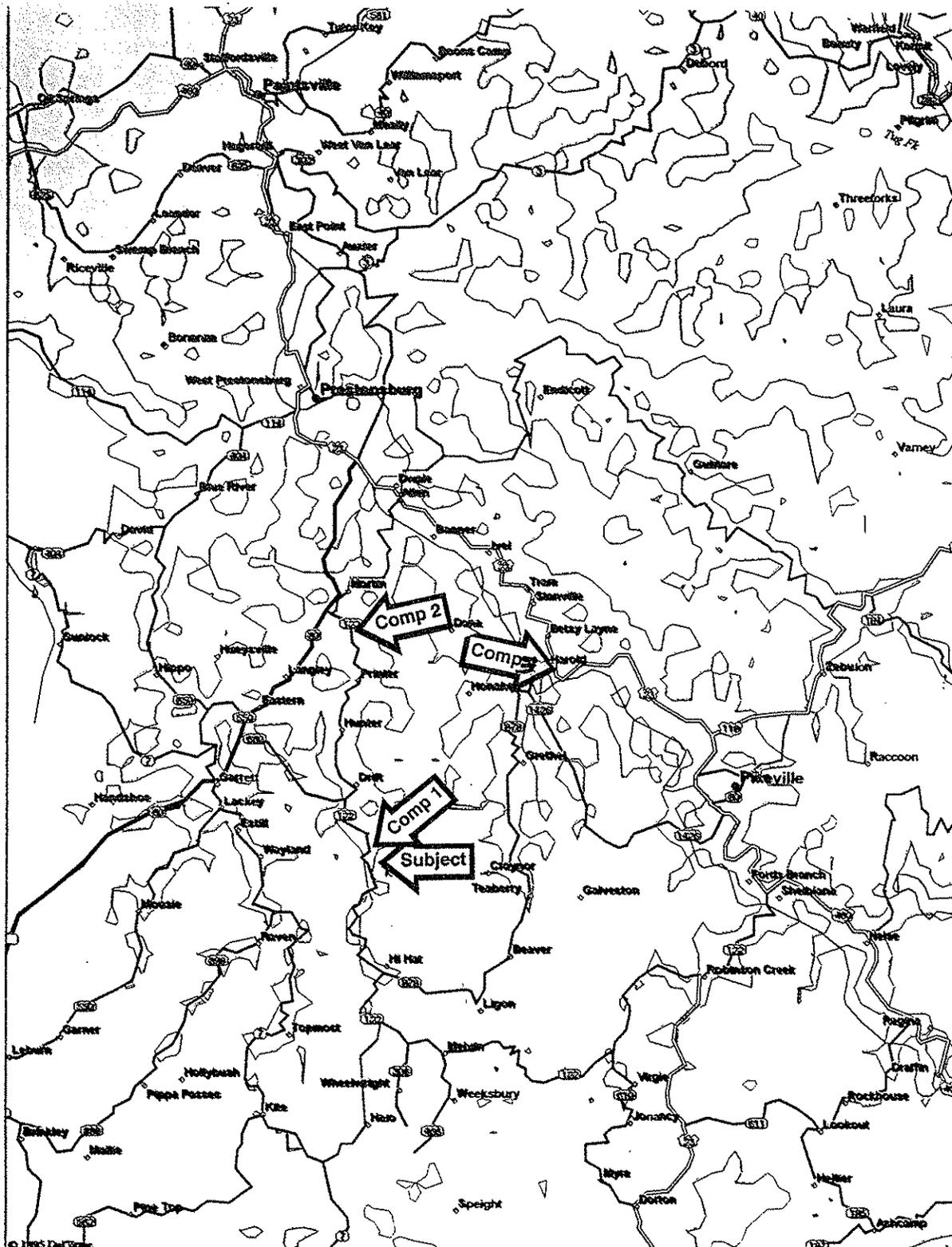
State Kentucky

Zip Code

Lender



Parking



© 1995 DeLorme

Mag 11.00  
 Thu Jan 26 14:36 2006  
 Scale 1:250,000 (at center)  
 5 Miles  
 5 KM  
 Major Connector  
 State Route  
 US Highway  
 Primary State Route

- County Seat
- ◇ Town, Small City
- ◆ Locale
- - - State Boundary
- Population Center
- Lake, Ocean
- Contour
- River

LEASE

THIS LEASE, made and entered into this 1<sup>st</sup> day of June, 2000, by and between JAMES W. FRASURE dba EASTERN TERRITORY LEASING, whose address is PO Box 337 Allen, Kentucky 41601 Lessor; and SOUTHERN WATER AND SEWER DISTRICT, a Political Subdivision of Floyd County, Kentucky, whose address is P. O. Box 769, Martin, Kentucky 41649, Lessee.

WITNESSETH:

That for and in consideration of the terms, covenants and conditions, hereinafter set out, the Lessor does hereby Lease and demise to the Lessee, certain real property located and lying at SWF W.F. Dowell 7111 ~~\_\_\_\_\_~~ in Floyd County, Kentucky and more particularly described in the deed attached hereto and made a part hereof as Exhibit "A" (the "Premises").

1. LEASE TERM: The initial term of the Lease shall commence on June 1, 2000 and shall terminate on May 31, 2005.

1(b). OPTION TO RENEW OR PURCHASE: Provided Lessee is not in material default of the Lease, Lessee shall have the option to extend the Lease at a base annual rental of \$24,000.00 for one (1) additional five (5) year term; however, at the end of the initial five (5) year term, should Lessee not be in material default of the Lease, Lessee shall have the first right of refusal to purchase the Premises at a price to be determined by a qualified real estate appraiser whose qualifications would be mutually acceptable to both Lessor and Lessee. Any such closing shall take place within 30 days from end of initial term. Should the Lessee determine not to renew the Lease, then this Lease shall be terminated as of May 31, 2005.

2. EARLY OCCUPANCY: Lessor will allow Lessee to occupy the Premises beginning May 22<sup>nd</sup> through June 1, 2000 free of rental obligation.

3. BASE RENTAL RATE: The base rental rate shall be \$1,500.00 per month for the first two (2) years of the initial lease term; \$2,000.00 per month for the third (3<sup>rd</sup>) year of the initial lease term; and \$2,500.00 per month for the fourth (4<sup>th</sup>) and fifth (5<sup>th</sup>) years of the initial lease term. The rate shall not exceed \$120,000.00 for a five (5) year period.

4. PREMISES: The Premises shall consist of approximately 3,200 square feet of building area and approximately 1 acre more or less of outside storage area. The Premises are more particularly described on the deed attached hereto and made a part hereof as Exhibit "A".

5. USE: The Premises shall be used for the purposes of Southern Water and Sewer District's Office and equipment storage yard.

6. LESSOR'S OBLIGATIONS: Without limiting the obligations of Lessor, subject to the obligations of Lessee herein below, Lessor, at its own costs and expense and without reimbursement from Lessee, shall maintain and repair, including defects, in good condition, the following:

- a. The Premises, including, without limitation, the foundation, bearing and exterior walls, sub-flooring and roof;
- b. The unexposed electrical, plumbing and sewage system, including without limitation, those portions of the systems lying outside the Premises, if applicable;
- c. Window frames, gutters and down spouts for the Premises and all improvements;
- d. Heating, ventilating and air conditioning system servicing the Premises, including major repairs and replacements provided Lessee would be responsible for routine maintenance in an amount not to exceed \$300.00 per year.

7. LESSOR'S PERSONALTY: Lessor, at Lessor's costs and prior to Lessee's occupancy will remove all personal property.

8. LESSEE IMPROVEMENT ALLOWANCE: Lessor shall provide Lessee a tenant improvement allowance of \$3,000.00 to be deducted from the first ~~five (5)~~ year initial term rental at the rate of \$250.00 per month.

JWF  
H.H.

9. SIGNAGE: Lessee shall have the right to install its sign on the building and the entrance to the Premises.

10. ALTERATIONS & IMPROVEMENTS: Lessee shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessor agrees that as of the commencement date of the Lease, Lessee may, but is not obligated to make, the following alterations or improvements:

- a. Fence in Premises;
- b. Gravel and pave yards;
- c. Remove trees;
- d. Build partition for conference room within the building located on the Premises.

11. LESSOR'S INDEMNIFICATION: Lessor shall defend, indemnify and hold Lessee harmless from and against any and all losses arising out of or resulting from (i) any acts or omissions of Lessor, its officers, agents, employees or authorized representatives, obligations of or defaults by Lessor under this Lease; (ii) structural defects of the Premises; and (iii) any false or misleading representations in the Lease, or any breach of any covenant, or if any representation or warranty made by Lessor under the Lease, regardless of Lessor's level of knowledge, proves to be false or untrue. Notwithstanding any term in the Lease to the contrary, the indemnification shall survive the expiration or the termination of the Lease.

12. LESSEE'S INDEMNIFICATION: Lessee shall defend, indemnify and hold Lessor harmless from and against any and all losses arising out of or resulting from (i) any acts or omissions of Lessee, its officers, agents, employees or authorized representatives, obligations of or defaults by Lessee under this Lease; (ii) any defects or dangerous conditions on the Premises created by Lessee or its officers, agents, employees or authorized representatives; and (iii) any false or

misleading representations in the Lease, or any breach of any covenant, or if any representation or warranty made by Lessee under the Lease, exclusive of Lessee's level of knowledge proves to be false or untrue. Notwithstanding any term in the Lease to the contrary, the indemnification shall survive the exploration or the termination of the Lease.

13. LIABILITY INSURANCE: Lessee shall provide liability insurance so as to protect the Lessor from any acts, omissions, losses or claims arising out of or resulting from the use and occupancy of the Premises by the Lessee during the term of this Lease or as extended. Proof of such liability insurance shall be made available to the Lessor at or prior to commencement of the Lease.

14. WAIVER OF SUBROGATION: Lessor and Lessee each waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on account of loss or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended coverage insurance policy which either may have in force at the time of the loss of damage. Lessee would, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in the Lease.

15. MORTGAGE: Lessee acknowledges that Lessor will from time to time mortgage the Premises and that this Lease shall be subordinate and subject to any such mortgage; Lessee shall not mortgage or encumber the Premises and any such action, whether voluntary or involuntary, shall be considered a material default of the Lease.

16. ASSIGNMENT OR SUBLEASE: Lessee shall not assign or sublease this Lease, the Premises or any part thereof.

WITNESSETH OUR HANDS THIS 18 day of MAY, 2000.

LESSOR:

JAMES W. FRASURE dba EASTERN TERRITORY LEASING

*James W. Frasure*

JAMES W. FRASURE

LESSEE:

SOUTHERN WATER AND SEWER DISTRICT

BY:

*Hubert Halbert*

Hubert Halbert, Chairman

STATE OF KENTUCKY

COUNTY OF Floyd

The foregoing Lease was produced and acknowledged to before me, this 18 day of May, 2000, by James W. Frasure dba Eastern Territory Leasing.

My Commission Expires: 3/29/2003.

*Lita Henson Stone*  
NOTARY PUBLIC

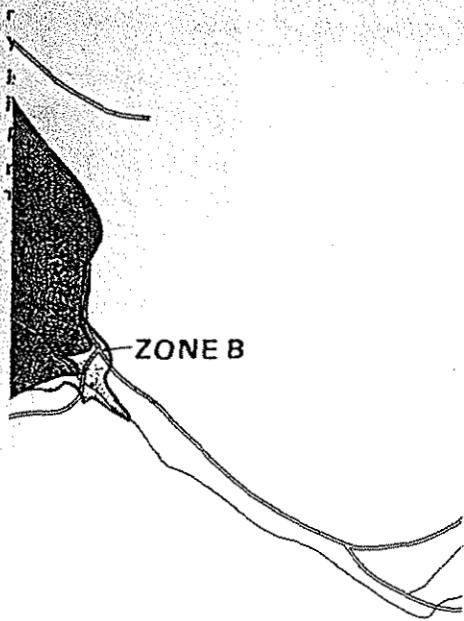
STATE OF KENTUCKY

COUNTY OF Floyd

The foregoing Lease was produced and acknowledged to before me, this 18 day of May, 2000, by Hubert Halbert, Chairman, on behalf of Southern Water and Sewer District.

My Commission Expires: June 4, 2003

*[Signature]*  
NOTARY PUBLIC



RM 99 690.76

above level of highway.

A C&GS standard disk at Minnie, about 0.1 mile Highway 122 from the junction of gravel road south of Minnie; 190 feet northeast and across highway from 190 feet east and across highway from the northeast corner of centerline of highway and about 1/2 foot above and set in the top of a concrete post projecting 7 in.

RM 101 702.83

A C&GS standard disk 0.95 mile south along State Highway 122 from junction of gravel road southwest of Minnie; 0.8 mile north of a blacktop road east at McDowell, set in the top of the southwest headwall of a 5-foot concrete box culvert southwest of the centerline of highway, 18 feet north of road upstream along small branch, and about 1 1/2 feet above level of highway.

RM 102 653.92

A TBM LFBC32 chiseled square on top of third guardrail on the hill on State Highway 122 down to the bridge.

RM 103 703.78

A C&GS standard disk at McDowell, along State Highway 122 from junction of a blacktop road east, about 60 yards east of Highway 122, set in the top of north end of east concrete and steel bridge over Left Fork Beaver Creek; 18 feet north of the center of road east, 1 1/2 feet northeast of centerline of highway and about level with bridge floor.

RM 106 710.58

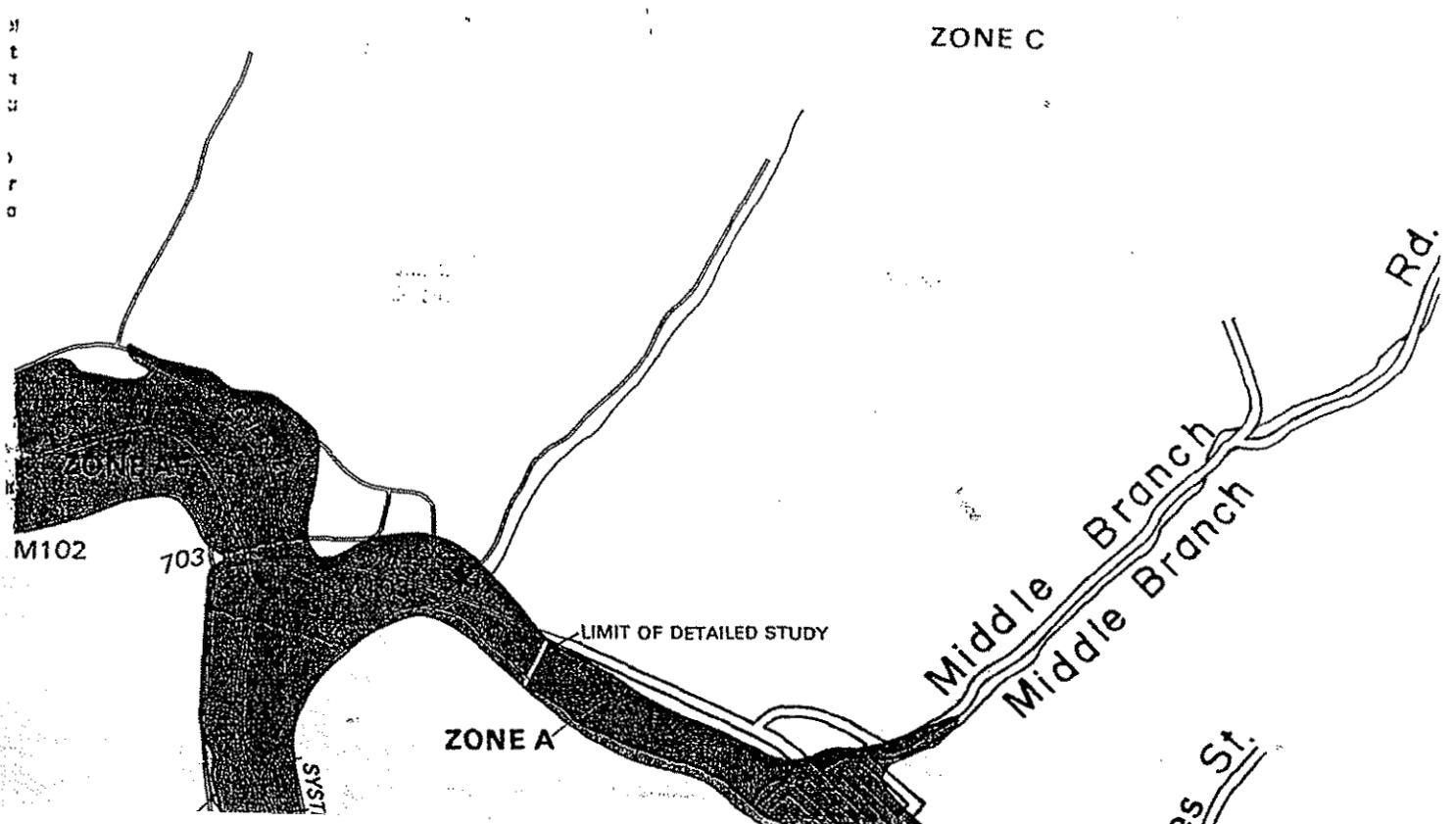
A C&GS standard disk 0.75 mile south along State Highway 122 from junction of a blacktop road east at McDowell, set vertically above ground in the smooth south face of a rock culvert northwest of centerline of highway; 18 feet west of centerline of highway and about 3 1/2 feet above level of highway.

RM 107 660.51

A TBM LFBC38X chiseled square on top of a post above west end of suspension bridge with No Hunting sign.

RM 108 717.89

A C&GS standard disk 1.8 miles south along State Highway 122 from junction of a blacktop road east at McDowell; 3.6 miles south of State Highway 122 from Inland Steel mining Company; 0.5 mile north of junction of a road east across a bridge to top of the north end of the west headwall of a 5-foot concrete culvert for Mulberry Hollow, 19.5 feet west of the centerline of highway and about level with highway.

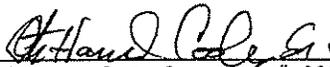


EASTERN KY. MARKET ANALYSIS ADDENDUM

The topography of the region limits the availability of sites suitable for building, making it necessary, at times, to go beyond what is considered to be normal parameters for comparable sales. The make up of the region sometimes makes it necessary to go in excess of ten miles to obtain comparable sales and could involve going into adjoining counties depending upon the location of the property being appraised. Small communities have their own market, but may be similar to another community located 15 or more miles in distance that have the same type of market. Even though the sales appear to be outside of the normal parameters they are considered to be comparable to the property and the best available to the appraiser. The makeup and topography requires commercial properties in conjunction with residential properties and mixed use neighborhoods are not uncommon throughout the region.

Due to the limited amount of comparable sales in some areas it is sometimes necessary to use comparable sales that are considerably larger or smaller than the subject. Whenever possible the square footage is adjusted by using paired sales analysis. This analysis is updated regularly and adjustments are adjusted whenever indicated.

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set fourth under Standard Rules 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraisers opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraisers file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated. The appraiser is not responsible for the unauthorized use of this report.

  
\_\_\_\_\_  
Otis Hansel Cooley, Sr. # 000415  
H. & F. Appraisals

**GENERAL CONDITIONS :**

That this appraisal is completed for the client, or their assigns, listed in the appraisal and can not be used by the buyer or other secondary person names in the appraisal without written permission for the appraiser and the named client, or their assigns.

That the term fair market value, as herein used, is defined as the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

That the date of value to which the opinions expressed in this report apply is set forth in the appraisal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.

That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

That no opinion as to titles is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions except those specifically discussed in the report. No title search was furnished to this appraiser as of the date of value. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That no engineering survey has been made by the appraiser. Except as specifically stated in the report, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That no engineering survey has been made by the appraiser. Except as specifically stated in the report, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

That no opinion is expressed as to the value of subsurface oil, gas, or mineral rights and that the property is not subject to surface entry for the exploration or removal of such except as in expressly stated.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicated by the appraiser and could affect the future income or value projections.

The distribution, if any, of the total valuation in this report between land and improvements applies only under the states program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal are are invalid if so used.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any other purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with properly written qualifications and only in its entirety.

Neither all nor any part of the contents of this report ( especially any conclusions as to value, the identity of the appraiser , or the firm with which the appraiser is connected ) shall be disseminated to the public through advertising, public relations, news sales or other media without prior written consent and approval of the appraiser.

That any unfinished items when completion certificates are issued are to be negotiated between the builder and purchaser.

Due to the majority of the property in the area not having a completed survey it is sometimes necessary to estimate acreage based upon property lines indicated by the owner or their representative. Should a survey be completed and the amount of property indicated in the appraisal should change then the value indicated could increase or decrease if based upon a completed survey.

GENERAL CONDITIONS PAGE 2 :

That no opinion is expressed as to the value of subsurface oil, gas, or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as in expressly stated.

FOR COURT OR HEARING TESTIMONY :

That testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance, at which time cost would be the negotiated rate.

That, because the date of value used herein is not the date of trial, the appraiser reserves the right to consider and evaluate additional data that becomes available between the date of this report. And the date of trial and to make any adjustments to the value opinions that may be required.

*Kentucky Real Estate Appraisers Board*  
2005 - 06

Hereby grants a

*Certified Residential Real Property Appraiser  
Certificate*

License № 000415

To  
Ois H. Cooley, Sr.  
140 Brookside Street  
Prestonsburg, KY 41653

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS  
WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.

C.W. Wilson, Chair  
Russell Sloan, V. Chair  
Jennifer Nickles  
Loren C. Huff  
Dorsey G. Hall



THIS CERTIFICATE EXPIRES

June 30, 2006

Control № 22053

OTIS HANSEL COOLEY, SR.  
140 Brookside Street  
Prestonsburg, Ky. 41653

Office : 606-874-2088  
Fax : 606-874-8508

Licensed Kentucky Real Estate Sales Agent  
Certified Kentucky Residential Appraiser # 000415

EDUCATION :

---

Graduated Prestonsburg High School - Prestonsburg, Ky.  
University of Kentucky - Prestonsburg Community College  
Real Estate Principals  
Real Estate Law  
Real Estate Appraising  
Real Estate Finance

Educational Training Systems - Lexington, Ky.  
307 A 15 hours Advanced Residential Appraising  
402 A 15 hours U.R.A.R. Form Course  
410 A 15 hours Appraisal Standards Course

PROFESSIONAL MEMBERSHIP

---

Big Sandy Board of Realtors  
National Association of Realtors  
Kentucky Association of Realtors

EXPERIENCE

---

19 years Benchmark Realty  
19 years Builder and property management  
15 years H. & F. Appraisals / Continuing Education updated yearly

APPRAISAL EXPERIENCE AND CLIENTS

US Bank , Martin, Ky.	The Mortgage Outlet, Marietta, Ga.
American Lending, Lexington, Ky.	Big Sandy Mortgage, Prestonsburg, Ky.
Resource One Mortgage, Langhorne, Pa.	City of Prestonsburg
First Guaranty Bank, Martin, Ky.	Individuals
Community Trust Bank, Prestonsburg, Ky.	Different Attorneys
Citizens National Bank, Prestonsburg, Ky.	First Commonwealth Bank, Prestonsburg, Ky.
CNC Mortgage, Pikeville, Ky.	Hylton Homes, Ivel, Ky.
Kentucky May Coal Company	Mountain Comprehensive Care
Relocation Services	Inez Deposit Bank, Inez, Ky.

LIST OF COUNTIES SERVING  
Floyd/Pike/Martin/Johnson/Knott

**DEED OF CONVEYANCE**

THIS DEED OF CONVEYANCE made and entered into this 9<sup>th</sup> day of May, 2000, by and between Lola Hamilton, a widow, solely in her capacity as Administratrix of the estate of Henry Hamilton, Jr., whose address is P. O. Box 440, Allen, Kentucky 41601, Grantor, and James W. Frasure, whose address is Allen, Kentucky 41601, Grantee.

**WITNESSETH:**

That for and in consideration of the sum of Fifty-four Thousand Dollars (\$54,000.00), cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, the Grantor does hereby bargain, grant, sell and convey unto the Grantee, his heirs and assigns, the following described real property located and lying in Floyd County, Kentucky:

A certain tract or parcel of land lying in Floyd County, Kentucky on Beaver Creek at Mouth of Frasures Creek, containing one acre more or less, and more particularly described as follows:

Beginning at the mouth of Store House Branch, thence down the highway to the Hopkins heirs line; thence with Milford Hall's line to Madeline Heinish line; thence with Madeline Heinish line to the beginning, so as to include all land in said boundary.

There is excepted from this conveyance the roadway which serves the property of Madeline Heinish, Esther Sammons and Eugene Hamilton and any minerals.

Being the same property heretofore conveyed unto Henry Hamilton, Jr. by deed of conveyance dated October 31, 1966 by Lizzie Hayes, a widow, and recorded in deed book 191, page 576, in the Floyd County Clerk's office.

This property is being sold pursuant to that certain Court Order entered December 17, 1999 in that certain consolidated civil action in the Floyd Circuit Court styled Ronnie Hall, Plaintiff vs. Henry Hamilton Estate et al., Defendants, and Byron Hamilton, Plaintiff vs. Henry Hamilton Estate et al. Defendants, and bearing civil action numbers 91-CI-00718 and 93-CI-00319, reference to which is made for more particularity.

BOOK D447 PAGE 366

TO HAVE AND TO HOLD the same, together with all appurtenances thereunto belonging unto the Grantee, his heirs and assigns forever, with covenant of general warranty.

The parties hereto certify that the consideration reflected in this deed is the full consideration paid for the property. The Grantee executes this deed for the sole purpose of certifying the consideration pursuant to KRS 382.135.

IN TESTIMONY WHEREOF, Grantor and Grantee have hereunto subscribed their names this day and year aforesaid.

GRANTOR:

Lola Hamilton  
Lola Hamilton, Administratrix

GRANTEE:

James W. Frasure  
James W. Frasure

STATE OF KENTUCKY

COUNTY OF FLOYD

The foregoing deed of conveyance and consideration certificate were produced, acknowledged and sworn to before me by Lola Hamilton as Administratrix of the Estate of Henry Hamilton, Jr., Grantor, this the 11 day of May, 2000.

My commission expires: 4-5-04

Lawrence H. Legate  
NOTARY PUBLIC

BOOK D447 PAGE 367

STATE OF KENTUCKY

COUNTY OF FLOYD

The foregoing deed of conveyance and consideration certificate were produced, acknowledged and sworn to before me by James W. Frasure, Grantee, this the 18 day of May, 2000.

My commission expires: 3/29/2003

Hita Henson Stone  
NOTARY PUBLIC

PREPARED BY:

Lola Hamilton  
Lola Hamilton, Administratrix

STATE OF KENTUCKY

Clerk's Certificate of Lodgment  
and Record

COUNTY OF \_\_\_\_\_

~~I, \_\_\_\_\_, Clerk of the County Court for the County and State aforesaid, certify that the foregoing Deed was on the \_\_\_\_\_ day of \_\_\_\_\_, 2000, lodged for record, whereupon the same, with the foregoing and this certificate have been duly recorded in my office.~~

~~Witness my hand, this \_\_\_\_\_ day of \_\_\_\_\_, 2000.~~

~~\_\_\_\_\_ Clerk~~

~~By \_\_\_\_\_ D.C.~~

9m

BOOK D447 PAGE 368

COMMONWEALTH OF KENTUCKY  
FLOYD CIRCUIT COURT  
CIVIL ACTION NO. 91-CI-00718 (93-CI-00319)

RONNIE HALL	PLAINTIFF
VS.	
HENRY HAMILTON ESTATE ET AL	DEFENDANTS
And	<u>ORDER</u>
BYRON HAMILTON	PLAINTIFF
VS.	
HENRY HAMILTON ESTATE ET AL	DEFENDANTS

This cause being before the Court on the pending Motion to Grant the Administratrix authority to sell certain real estate held by the Estate located at McDowell, Kentucky, and the Court being advised,

IT IS HEREBY ORDERED that said Motion be SUSTAINED to the extent that:

1. The Administratrix, Lola Hamilton, is hereby given authority to sell, transfer and convey all title and interest of the Estate to a bonafide purchaser for said properties located at McDowell, Kentucky.
2. That the selling price be no less than \$55,000.00.
3. That the money received from the sale be escrowed in an interest bearing account by the Clerk of the Court, held subject to further orders of the Court or agreement of the parties.

This 14<sup>th</sup> day of December, 1999.

FILED Civil  
DOCKET SHEET THIS 17  
Dec 1999  
FLOYD DISTRICT COURT  
S. Johnson

Eddy Coleman  
JUDGE EDDY COLEMAN  
SPECIAL JUDGE

A COPY ATTEST:

Hon. Arnold Turner, Jr.  
P.O. Box 388  
Prestonsburg, KY 41653

Hon. Michael de Bourbon  
3<sup>rd</sup> Floor, 321 2<sup>nd</sup> Street  
Pikeville, KY 41502

Hon. Cliff Latta  
P.O. Box 550  
Prestonsburg, Kentucky 41653

This the 17 day of December, 1999.

Douglas Ray Hall, Clerk

S. Johnson, D.C.

STATE OF KENTUCKY  
S.S.  
COUNTY OF FLOYD

WITH \$ 54.00 TAX PAID ON SAME.

I, CHRIS WAUGH, Clerk of the County and State aforesaid certify that the foregoing Deed was on the 24<sup>th</sup> day of May, 2000 at 9:15 o'clock A.m. lodged for record whereupon the same with the foregoing and this certificate have been duly recorded in my office.

Witness my hand, this 24<sup>th</sup> day of May, 2000.  
CHRIS WAUGH

BY: [Signature] D.C.

LODGED FOR RECORD

DATE 5-24-08

TIME 9:15

FEE 16.00 + 54.00

Chris Waugh

Clerk of Floyd County

BY: Vonda K. Kelson D.C.

FBB

Martin

BOOK... 447 ...  
PAGE... 365 ...  
Chris Waugh  
Floyd County Clerk

**SECOND OPTION TO PURCHASE EXTENSION**

THIS SECOND OPTION TO PURCHASE EXTENSION, made and entered into this 5<sup>th</sup> day of January, 2007, by and between JAMES W. FRASURE, single, \_\_\_\_\_, Party of the First Part hereinafter referred to as Seller, and SOUTHERN WATER & SEWER DISTRICT, a Public Special District created by Floyd County, Kentucky, P.O. Box 610, McDowell, Kentucky, 41647, Party of the Second Part hereinafter referred to as Purchaser;

**WITNESSETH:**

That for and in consideration of \$1,500.00 paid upon the execution of this agreement, the parties hereto agree as follows:

1. That the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, and Option to Purchase Extension dated October 10<sup>th</sup>, 2006, between the parties hereto is extended for an additional period of ninety (90) days from the date of the execution of this agreement.

2. That the \$1,500.00 consideration paid for this Second Option to Purchase Extension shall be credited toward the total purchase price as set forth in the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, and Option to Purchase Extension dated October 10<sup>th</sup>, 2006, which will leave the balance of the unpaid purchase price now being \$167,500.00, to be paid within ninety (90) days of the

execution of this agreement and upon the terms and conditions of the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, and Option to Purchase Extension dated October 10<sup>th</sup>, 2006, which terms and conditions are adopted herein by reference the same as if contained in this agreement.

IN WITNESS WHEREOF, the parties hereto have hereinunder set their hands the day and year first above written.

**PARTY OF THE FIRST PART:  
SELLER**

*James W. Frasure*  
**JAMES W. FRASURE**

**PARTY OF THE SECOND PART:  
PURCHASER**

**SOUTHERN WATER &  
SEWER DISTRICT**

BY: *[Signature]*  
ITS: CHAIRMAN

COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD

SUBSCRIBED and SWORN to before me this 5<sup>th</sup> day of January, 2007,  
by **JAMES W. FRASURE**, single, to be his free act and deed.

My Commission Expires: 03/28/2010

*Margaret M. McKinney*  
NOTARY PUBLIC

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF** Floyd

**SUBSCRIBED** and **SWORN** to before me this 5<sup>th</sup> day of January, 2007,  
by Hubert Halbert, \_\_\_\_\_, of **SOUTHERN**  
**WATER & SEWER DISTRICT**, a Public Special District created by Floyd  
County, Kentucky, for and on behalf of said District, party thereto, to be its free act  
and deed.

My Commission Expires: 03/28/2010.

Marilyn McKinney  
NOTARY PUBLIC

**This Instrument Was Prepared By:**

Ralph H. Stevens P.S.C.  
Attorney at Law  
P.O. Box 466  
142 West Branham Street  
Prestonsburg, KY 41653  
(606) 886-1000

BY: Ralph H. Stevens  
RALPH H. STEVENS  
Attorney at Law

**OPTION TO PURCHASE EXTENSION**

THIS OPTION TO PURCHASE EXTENSION, made and entered into this 10<sup>th</sup> day of October, 2006, by and between JAMES W. FRASURE, single, \_\_\_\_\_, Party of the First Part hereinafter referred to as Seller, and SOUTHERN WATER & SEWER DISTRICT, a Public Special District created by Floyd County, Kentucky, P.O. Box 610, McDowell, Kentucky, 41647, Party of the Second Part hereinafter referred to as Purchaser;

**WITNESSETH:**

That for and in consideration of \$1,000.00 paid upon the execution of this agreement, the parties hereto agree as follows:

1. That the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, between the parties hereto is extended for a period of sixty (60) days from the date of the execution of this agreement.

2. That the \$1,000.00 consideration paid for this Option to Purchase Extension shall be credited toward the total purchase price as set forth in the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, which will leave the balance of the unpaid purchase price now being \$169,000.00, to be paid within sixty (60) days of the execution of this agreement and upon the terms and conditions of the Option to Purchase agreement dated July 11<sup>th</sup>, 2006, which

terms and conditions are adopted herein by reference the same as if contained in this agreement.

IN WITNESS WHEREOF, the parties hereto have hereinunder set their hands the day and year first above written.

**PARTY OF THE FIRST PART:  
SELLER**

*James W. Frasure*  
**JAMES W. FRASURE**

**PARTY OF THE SECOND PART:  
PURCHASER**

**SOUTHERN WATER &  
SEWER DISTRICT**

BY: *Robert Helbert*  
ITS: *Chairman*

COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD

SUBSCRIBED and SWORN to before me this 10<sup>th</sup> day of October, 2006, by **JAMES W. FRASURE**, single, to be his free act and deed.

My Commission Expires: 3/28/2010.

*Maribeth McKinney*  
NOTARY PUBLIC

**COMMONWEALTH OF KENTUCKY**

**COUNTY OF** Floyd

**SUBSCRIBED and SWORN** to before me this 10<sup>th</sup> day of October, 2006, by Hubert Halbert, Chairman, of **SOUTHERN WATER & SEWER DISTRICT**, a Public Special District created by Floyd County, Kentucky, for and on behalf of said District, party thereto, to be its free act and deed.

My Commission Expires: 3/28/2010.

Marebeth McKinney  
NOTARY PUBLIC

**This Instrument Was Prepared By:**

Ralph H. Stevens P.S.C.  
Attorney at Law  
P.O. Box 466  
142 West Branham Street  
Prestonsburg, KY 41653  
(606) 886-1000

BY: \_\_\_\_\_  
RALPH H. STEVENS  
Attorney at Law

**OPTION TO PURCHASE**

**THIS OPTION TO PURCHASE**, made and entered into this 11<sup>th</sup> day of July, 2006, by and between **JAMES W. FRASURE**, single, James W. Frasure, Party of the First Part hereinafter referred to as Seller, and **SOUTHERN WATER & SEWER DISTRICT**, a Public Special District created by Floyd County, Kentucky, P.O. Box 610, McDowell, Kentucky, 41647, Party of the Second Part hereinafter referred to as Purchaser;

**WITNESSETH:**

That for and in consideration of the mutual covenants to be performed between the respective parties hereto, as hereinafter expressed, it is agreed between the parties hereto as follows:

1. That the Seller hereby agrees to sell and convey unto the Purchaser a tract of land which was conveyed to Seller from Lola Hamilton, widow, solely in her capacity as Administratrix of the estate of Henry Hamilton, Jr., by deed dated May 9, 2000, of record in Deed Book 447, Page 365, in the office of the Floyd County Clerk, and being a certain tract or parcel of land lying in Floyd County, Kentucky, which is more particularly described as follows:

A certain tract or parcel of land lying in Floyd County, Kentucky on Beaver Creek at Mouth of Frasures Creek. Containing one acre more or less, and more particularly described as follows:

Beginning at the mouth of Store House Branch, thence down the highway to the Hopkins heirs line; thence with Milford Hall's line to Madeline Heinish line; thence with Madeline Heinish line to the beginning, so as to include all land in said boundary.

There is excepted from this conveyance the roadway which serves the property of Madeline Heinish, Esther Sammons and Eugene Hamilton and any minerals.

2. That the Purchaser agrees to pay the total sum of One Hundred Seventy Five Thousand Dollars (\$175,000.00), for the purchase of the property described above in item 1., which monies will be paid as follows:

(a) Five Thousand Dollars (\$5,000.00), shall be paid upon execution of this Option to Purchase.

(b) That the balance of One Hundred Seventy Thousand Dollars (\$170,000.00), shall be paid within ninety (90) days from the execution of this Option to Purchase and upon delivery of deed conveying good title by Seller to Purchaser and tender of the balance of the purchase price by Purchaser to Seller.

3. That the property taxes for the year 2006 will be paid by Seller and the property taxes for the year 2007 will be paid by Purchaser, and subsequent years.

4. That Seller will pay the transfer tax upon closing and Purchaser shall pay for the recordation of the deed.

5. That this Option to Purchase is specifically conditioned upon Seller's ability to convey good and marketable title to Purchaser. Title shall be delivered by execution and delivery of a General Warranty Deed by the Seller, its successors and assigns, conveying the said premises to the Purchaser. Title will be delivered upon payment of the purchase price as set forth above.

6. That this Option to Purchase is specifically conditioned upon Purchaser's ability to obtain permission from the Public Service Commission to purchase the property and upon Purchaser's ability to obtain reasonable financing for the purchase of the property.

7. Time is of the essence of this Option to Purchase. If the Seller cannot convey good and marketable title then Purchaser will be refunded the \$5,000.00, paid as consideration for this agreement, or the \$5,000.00 will be applied toward future rentals on the property.

8. That if the Purchaser does not obtain permission from the Public Service Commission or is unable to obtain reasonable financing, as set forth in paragraph 6. above, or for any reason Purchaser cannot exercise its option to purchase then the \$5,000.00 paid as consideration for this agreement shall be applied to future rentals for the property.

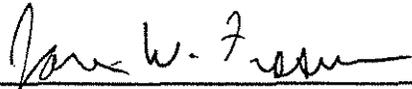
9. Possession of the premises will be given upon closing and delivery of deed by Seller to Purchaser.

10. It is expressly understood and agreed by the parties hereto that all stipulations and agreements contained herein shall apply to and be binding on the heirs, executors, administrators, successors in interest, and assigns of the parties hereto.

11. That the parties agree that this Option to Purchaser contains a total of the parties agreement, and that there shall no changes or alternations to this agreement except in writing and executed by both parties.

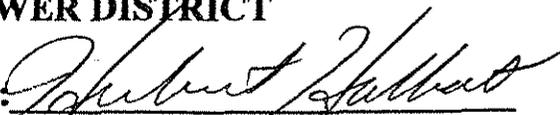
IN WITNESS WHEREOF, the parties hereto have hereinunder set their hands the day and year first above written.

**PARTY OF THE FIRST PART:  
SELLER**

  
\_\_\_\_\_  
**JAMES W. FRASURE**

**PARTY OF THE SECOND PART:  
PURCHASER**

**SOUTHERN WATER &  
SEWER DISTRICT**

BY:   
ITS: CHAIRMAN



LEASE

THIS LEASE, made and entered into this 1<sup>st</sup> day of June, 2000, by and between JAMES W. FRASURE dba EASTERN TERRITORY LEASING, whose address is PO Box 337 Allen, Kentucky 41601 Lessor; and SOUTHERN WATER AND SEWER DISTRICT, a Political Subdivision of Floyd County, Kentucky, whose address is P. O. Box 769, Martin, Kentucky 41649, Lessee.

WITNESSETH:

That for and in consideration of the terms, covenants and conditions, hereinafter set out, the Lessor does hereby Lease and demise to the Lessee, certain real property located and lying at ~~Martin~~ <sup>SWF Mc Dowell Hill</sup> Floyd County, Kentucky and more particularly described in the deed attached hereto and made a part hereof as Exhibit "A" (the "Premises").

1. LEASE TERM: The initial term of the Lease shall commence on June 1, 2000 and shall terminate on May 31, 2005.

1(b). OPTION TO RENEW OR PURCHASE: Provided Lessee is not in material default of the Lease, Lessee shall have the option to extend the Lease at a base annual rental of \$24,000.00 for one (1) additional five (5) year term; however, at the end of the initial five (5) year term, should Lessee not be in material default of the Lease, Lessee shall have the first right of refusal to purchase the Premises at a price to be determined by a qualified real estate appraiser whose qualifications would be mutually acceptable to both Lessor and Lessee. Any such closing shall take place within 30 days from end of initial term. Should the Lessee determine not to renew the Lease, then this Lease shall be terminated as of May 31, 2005.

2. EARLY OCCUPANCY: Lessor will allow Lessee to occupy the Premises beginning May 22<sup>nd</sup> through June 1, 2000 free of rental obligation.

3. BASE RENTAL RATE: The base rental rate shall be \$1,500.00 per month for the first two (2) years of the initial lease term; \$2,000.00 per month for the third (3<sup>rd</sup>) year of the initial lease term; and \$2,500.00 per month for the fourth (4<sup>th</sup>) and fifth (5<sup>th</sup>) years of the initial lease term. The rate shall not exceed \$120,000.00 for a five (5) year period.

4. PREMISES: The Premises shall consist of approximately 3,200 square feet of building area and approximately 1 acre <sup>v</sup>more or less of outside storage area. The Premises are more particularly described on the deed attached hereto and made a part hereof as Exhibit "A".

5. USE: The Premises shall be used for the purposes of Southern Water and Sewer District's Office and equipment storage yard.

6. LESSOR'S OBLIGATIONS: Without limiting the obligations of Lessor, subject to the obligations of Lessee herein below, Lessor, at its own costs and expense and without reimbursement from Lessee, shall maintain and repair, including defects, in good condition, the following:

- a. The Premises, including, without limitation, the foundation, bearing and exterior walls, sub-flooring and roof;
- b. The unexposed electrical, plumbing and sewage system, including without limitation, those portions of the systems lying outside the Premises, if applicable;
- c. Window frames, gutters and down spouts for the Premises and all improvements;
- d. Heating, ventilating and air conditioning system servicing the Premises, including major repairs and replacements provided Lessee would be responsible for routine maintenance in an amount not to exceed \$300.00 per year.

7. LESSOR'S PERSONALTY: Lessor, at Lessor's costs and prior to Lessee's occupancy will remove all personal property.

8. LESSEE IMPROVEMENT ALLOWANCE: Lessor shall provide Lessee a tenant improvement allowance of \$3,000.00 to be deducted from the first ~~five (5)~~ year initial term rental at the rate of \$250.00 per month.

JWF  
H.H.

9. **SIGNAGE**: Lessee shall have the right to install its sign on the building and the entrance to the Premises.

10. **ALTERATIONS & IMPROVEMENTS**: Lessee shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessor agrees that as of the commencement date of the Lease, Lessee may, but is not obligated to make, the following alterations or improvements:

- a. Fence in Premises;
- b. Gravel and pave yards;
- c. Remove trees;
- d. Build partition for conference room within the building located on the Premises.

11. **LESSOR'S INDEMNIFICATION**: Lessor shall defend, indemnify and hold Lessee harmless from and against any and all losses arising out of or resulting from (i) any acts or omissions of Lessor, its officers, agents, employees or authorized representatives, obligations of or defaults by Lessor under this Lease; (ii) structural defects of the Premises; and (iii) any false or misleading representations in the Lease, or any breach of any covenant, or if any representation or warranty made by Lessor under the Lease, regardless of Lessor's level of knowledge, proves to be false or untrue. Notwithstanding any term in the Lease to the contrary, the indemnification shall survive the expiration or the termination of the Lease.

12. **LESSEE'S INDEMNIFICATION**: Lessee shall defend, indemnify and hold Lessor harmless from and against any and all losses arising out of or resulting from (i) any acts or omissions of Lessee, its officers, agents, employees or authorized representatives, obligations of or defaults by Lessee under this Lease; (ii) any defects or dangerous conditions on the Premises created by Lessee or its officers, agents, employees or authorized representatives; and (iii) any false or

misleading representations in the Lease, or any breach of any covenant, or if any representation or warranty made by Lessee under the Lease, exclusive of Lessee's level of knowledge proves to be false or untrue. Notwithstanding any term in the Lease to the contrary, the indemnification shall survive the exploration or the termination of the Lease.

13. LIABILITY INSURANCE: Lessee shall provide liability insurance so as to protect the Lessor from any acts, omissions, losses or claims arising out of or resulting from the use and occupancy of the Premises by the Lessee during the term of this Lease or as extended. Proof of such liability insurance shall be made available to the Lessor at or prior to commencement of the Lease.

14. WAIVER OF SUBROGATION: Lessor and Lessee each waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on account of loss or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended coverage insurance policy which either may have in force at the time of the loss of damage. Lessee would, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in the Lease.

15. MORTGAGE: Lessee acknowledges that Lessor will from time to time mortgage the Premises and that this Lease shall be subordinate and subject to any such mortgage; Lessee shall not mortgage or encumber the Premises and any such action, whether voluntary or involuntary, shall be considered a material default of the Lease.

16. ASSIGNMENT OR SUBLEASE: Lessee shall not assign or sublease this Lease, the Premises or any part thereof.

WITNESSETH OUR HANDS THIS 18 day of MAY, 2000.

LESSOR:

JAMES W. FRASURE dba EASTERN TERRITORY LEASING

James W. Frasure  
JAMES W. FRASURE

LESSEE:

SOUTHERN WATER AND SEWER DISTRICT

BY: Hubert Halbert  
Hubert Halbert, Chairman

STATE OF KENTUCKY

COUNTY OF Lloyd

The foregoing Lease was produced and acknowledged to before me, this 18 day of May, 2000, by James W. Frasure dba Eastern Territory Leasing.

My Commission Expires: 3/29/2003.

Lita Henson Stone  
NOTARY PUBLIC

STATE OF KENTUCKY

COUNTY OF Lloyd

The foregoing Lease was produced and acknowledged to before me, this 18 day of May, 2000, by Hubert Halbert, Chairman, on behalf of Southern Water and Sewer District.

My Commission Expires: June 4, 2003

[Signature]  
NOTARY PUBLIC

**SOUTHERN WATER & SEWER DISTRICT  
DEBT SUMMARY**

8/7/2006

DEBT SOURCE	KIA	KIA	USDA RD	USDA RD	KIA	USDA RD	USDA RD	KIA	1ST GUAR BANK	FORD MTR LEASING
LOAN NUMBER	B293-01	B295-01			A-04-06			10002110	8483900	
PURPOSE	System Expansion	System Expansion	System Expansion	System Expansion	Wayland Sewer Proj	System Improve.	System Improve.	Amortize Veolia Debt	Vehicle Lease	
INITIAL PRINCIPAL AMOUNT	\$1,362,870	\$2,831,354	\$2,515,000	\$2,515,000	\$67,376	\$225,000	\$225,000	\$600,000	\$104,417	
LOAN / BOND DATE	3/15/1993	2/21/1995	12/12/2002	12/12/2002	10/1/2005	8/16/2005	8/16/2005	2/10/2006	3/1/2006	
TERM (YRS)	30	30	40	40	20	40	40	2	3	
RATE	3.0%	3.0%	4.5%	4.5%	1.0%	4.25%	4.25%	5.1%	6.2%	
MATURITY DATE	12/1/2024	12/1/2027	2042	2042	6/1/2025	2045	2045			
PAYMENT AMOUNT	\$34,607	\$71,898	\$69,750	\$69,750	\$1,881	\$6,000	\$6,000	\$9,710	\$3,170	
PAYMENT FREQ.	Semi-Ann	Semi-Ann	Semi-Ann	Semi-Ann	Semi-Ann	Semi-Ann	Semi-Ann	Monthly	Monthly	
REQUIRED RESERVE PMTS (Annual)	Fully Funded	\$15,600	\$13,980	\$13,980	\$4,400			N/A	N/A	
PRINCIPAL BAL 12/31/05	\$996,884	\$2,303,650	\$2,489,000	\$2,489,000	\$65,850	\$225,000	\$225,000	N/A	N/A	
	(a)	First Guaranty Bank Loan (Purpose: Negotiated settlement with Veolia Water for past due management fees. Loan structured with an initial 2 year term and two subsequent 2 year terms.)								
	(b)	Lease on five new service vehicles secured through an RFP by the District subsequent to termination of its management contract with Veolia Water.								

KENTUCKY INFRASTRUCTURE AUTHORITY  
1801E  
BEAVER LEHIGH WATER DISTRICT (PHASE I & II)  
LOAN#2003-01 4-6-00-0000000000

*Adamsby  
Southern Water & Sewer*

3.00% Rate  
\$3,607.84 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Sanctuary Fee	Credit Due	Total Payment	Principal Balance	P.A.M. Reserve	Total Reserve
06/01/05	\$14,184.89	\$20,443.05	3.00%	\$34,627.94	\$1,382.87	\$0.00	\$36,010.81	\$1,382,870.00	\$3,607.84	\$3,607.84
12/01/05	\$14,377.38	\$20,250.88	3.00%	\$34,628.26	\$1,346.71	\$0.00	\$35,974.97	\$1,346,705.16	\$3,607.84	\$7,215.68
06/01/06	\$14,593.02	\$20,014.92	3.00%	\$34,607.94	\$1,310.73	\$0.00	\$35,918.67	\$1,310,734.77	\$3,607.84	\$10,823.52
12/01/06	\$14,811.87	\$19,786.02	3.00%	\$34,607.89	\$1,274.92	\$0.00	\$35,882.81	\$1,274,922.85	\$3,607.84	\$14,431.36
06/01/07	\$15,034.10	\$19,573.84	3.00%	\$34,607.94	\$1,240.28	\$0.00	\$35,847.22	\$1,240,280.15	\$3,607.84	\$18,039.20
12/01/07	\$15,259.61	\$19,348.33	3.00%	\$34,607.94	\$1,205.82	\$0.00	\$35,812.76	\$1,205,818.41	\$3,607.84	\$21,647.04
06/01/08	\$15,488.50	\$19,119.44	3.00%	\$34,607.94	\$1,171.53	\$0.00	\$35,778.47	\$1,171,530.94	\$3,607.84	\$25,254.88
12/01/08	\$15,720.83	\$18,887.11	3.00%	\$34,607.94	\$1,137.46	\$0.00	\$35,744.41	\$1,137,462.53	\$3,607.84	\$28,862.72
06/01/09	\$15,956.64	\$18,651.30	3.00%	\$34,607.94	\$1,103.62	\$0.00	\$35,710.58	\$1,103,623.15	\$3,607.84	\$32,470.56
12/01/09	\$16,196.98	\$18,411.95	3.00%	\$34,607.94	\$1,070.01	\$0.00	\$35,677.35	\$1,070,014.80	\$3,607.84	\$36,078.40
06/01/10	\$16,438.83	\$18,169.01	3.00%	\$34,607.84	\$1,036.54	\$0.00	\$35,644.30	\$1,036,546.10	\$3,607.84	\$39,686.24
12/01/10	\$16,685.52	\$17,922.42	3.00%	\$34,607.94	\$1,003.21	\$0.00	\$35,611.73	\$1,003,217.33	\$3,607.84	\$43,294.08
06/01/11	\$16,936.80	\$17,672.14	3.00%	\$34,607.94	\$970.01	\$0.00	\$35,579.72	\$970,018.05	\$3,607.84	\$46,901.92
12/01/11	\$17,189.84	\$17,418.10	3.00%	\$34,607.94	\$936.94	\$0.00	\$35,548.28	\$936,948.79	\$3,607.84	\$50,509.76
06/01/12	\$17,447.08	\$17,160.26	3.00%	\$34,607.84	\$904.01	\$0.00	\$35,517.27	\$904,019.53	\$3,607.84	\$54,117.60
12/01/12	\$17,709.40	\$16,898.54	3.00%	\$34,607.94	\$871.21	\$0.00	\$35,486.76	\$871,220.27	\$3,607.84	\$57,725.44
06/01/13	\$17,978.04	\$16,633.27	3.00%	\$34,607.84	\$838.64	\$0.00	\$35,456.84	\$838,641.01	\$3,607.84	\$61,333.28
12/01/13	\$18,244.87	\$16,363.27	3.00%	\$34,607.94	\$806.31	\$0.00	\$35,427.55	\$806,311.75	\$3,607.84	\$64,941.12
06/01/14	\$18,518.34	\$16,089.40	3.00%	\$34,607.84	\$774.12	\$0.00	\$35,398.86	\$774,122.49	\$3,607.84	\$68,548.96
12/01/14	\$18,794.11	\$15,811.83	3.00%	\$34,607.94	\$742.16	\$0.00	\$35,370.70	\$742,163.23	\$3,607.84	\$72,156.80
06/01/15	\$19,076.05	\$15,529.49	3.00%	\$34,607.84	\$710.43	\$0.00	\$35,343.07	\$710,434.07	\$3,607.84	\$75,764.64
12/01/15	\$19,364.23	\$15,243.72	3.00%	\$34,607.94	\$678.94	\$0.00	\$35,315.93	\$678,944.91	\$3,607.84	\$79,372.48
06/01/16	\$19,659.15	\$14,953.26	3.00%	\$34,607.84	\$647.68	\$0.00	\$35,289.35	\$647,685.75	\$3,607.84	\$82,980.32
12/01/16	\$19,960.48	\$14,658.43	3.00%	\$34,607.94	\$616.65	\$0.00	\$35,263.30	\$616,656.60	\$3,607.84	\$86,588.16
06/01/17	\$20,268.76	\$14,359.18	3.00%	\$34,607.84	\$585.84	\$0.00	\$35,237.72	\$585,847.44	\$3,607.84	\$90,195.92
12/01/17	\$20,583.52	\$14,055.46	3.00%	\$34,607.94	\$555.25	\$0.00	\$35,212.67	\$555,258.29	\$3,607.84	\$93,803.76
06/01/18	\$20,904.34	\$13,747.17	3.00%	\$34,607.84	\$524.88	\$0.00	\$35,188.14	\$524,889.13	\$3,607.84	\$97,411.60
12/01/18	\$21,231.58	\$13,434.26	3.00%	\$34,607.94	\$494.73	\$0.00	\$35,164.11	\$494,739.97	\$3,607.84	\$101,019.44
06/01/19	\$21,565.80	\$13,116.56	3.00%	\$34,607.84	\$464.80	\$0.00	\$35,140.58	\$464,800.81	\$3,607.84	\$104,627.28
12/01/19	\$21,907.66	\$12,794.20	3.00%	\$34,607.94	\$435.09	\$0.00	\$35,117.55	\$435,091.65	\$3,607.84	\$108,235.12
06/01/20	\$22,256.74	\$12,467.08	3.00%	\$34,607.84	\$405.60	\$0.00	\$35,095.02	\$405,602.49	\$3,607.84	\$111,842.96
12/01/20	\$22,613.66	\$12,134.97	3.00%	\$34,607.94	\$376.32	\$0.00	\$35,072.99	\$376,323.33	\$3,607.84	\$115,450.80
06/01/21	\$22,978.92	\$11,797.87	3.00%	\$34,607.84	\$347.25	\$0.00	\$35,051.44	\$347,254.17	\$3,607.84	\$119,058.64
12/01/21	\$23,352.02	\$11,455.72	3.00%	\$34,607.94	\$318.39	\$0.00	\$35,030.37	\$318,395.01	\$3,607.84	\$122,666.48
06/01/22	\$23,733.50	\$11,108.44	3.00%	\$34,607.84	\$289.74	\$0.00	\$35,009.78	\$289,745.85	\$3,607.84	\$126,274.32
12/01/22	\$24,123.00	\$10,755.95	3.00%	\$34,607.94	\$261.30	\$0.00	\$34,989.68	\$261,306.69	\$3,607.84	\$129,882.16
06/01/23	\$24,520.78	\$10,398.17	3.00%	\$34,607.84	\$233.07	\$0.00	\$34,970.00	\$233,077.53	\$3,607.84	\$133,490.00
12/01/23	\$24,927.42	\$10,034.82	3.00%	\$34,607.94	\$205.05	\$0.00	\$34,950.95	\$205,058.37	\$3,607.84	\$137,097.84
06/01/24	\$25,343.54	\$9,664.43	3.00%	\$34,607.84	\$177.24	\$0.00	\$34,932.71	\$177,249.21	\$3,607.84	\$140,705.68
12/01/24	\$25,769.66	\$9,287.37	3.00%	\$34,607.94	\$149.64	\$0.00	\$34,915.27	\$149,640.05	\$3,607.84	\$144,313.52
06/01/25	\$26,205.38	\$8,903.20	3.00%	\$34,607.84	\$122.25	\$0.00	\$34,898.72	\$122,250.89	\$3,607.84	\$147,921.36
12/01/25	\$26,650.30	\$8,511.84	3.00%	\$34,607.94	\$95.07	\$0.00	\$34,883.07	\$95,071.73	\$3,607.84	\$151,529.20
06/01/26	\$27,105.00	\$8,112.87	3.00%	\$34,607.84	\$68.12	\$0.00	\$34,868.35	\$68,122.57	\$3,607.84	\$155,137.04
12/01/26	\$27,570.18	\$7,707.93	3.00%	\$34,607.94	\$41.41	\$0.00	\$34,854.46	\$41,413.41	\$3,607.84	\$158,744.88
06/01/27	\$28,045.50	\$7,296.80	3.00%	\$34,607.84	\$15.96	\$0.00	\$34,841.50	\$15,964.25	\$3,607.84	\$162,352.72
12/01/27	\$28,531.58	\$6,878.60	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,829.54	\$0.00	\$3,607.84	\$165,960.56
06/01/28	\$29,028.00	\$6,453.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,818.58	\$0.00	\$3,607.84	\$169,568.40
12/01/28	\$29,534.50	\$6,020.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,808.62	\$0.00	\$3,607.84	\$173,176.24
06/01/29	\$30,051.80	\$5,580.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,800.00	\$0.00	\$3,607.84	\$176,784.08
12/01/29	\$30,579.80	\$5,130.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,792.72	\$0.00	\$3,607.84	\$180,391.92
06/01/30	\$31,118.30	\$4,670.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,786.96	\$0.00	\$3,607.84	\$184,000.00
12/01/30	\$31,667.00	\$4,200.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,782.00	\$0.00	\$3,607.84	\$187,608.00
06/01/31	\$32,225.80	\$3,720.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,778.00	\$0.00	\$3,607.84	\$191,216.00
12/01/31	\$32,794.50	\$3,230.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,775.00	\$0.00	\$3,607.84	\$194,824.00
06/01/32	\$33,373.00	\$2,730.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,773.00	\$0.00	\$3,607.84	\$198,432.00
12/01/32	\$33,961.00	\$2,220.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,772.00	\$0.00	\$3,607.84	\$202,040.00
06/01/33	\$34,558.00	\$1,700.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,772.00	\$0.00	\$3,607.84	\$205,648.00
12/01/33	\$35,164.00	\$1,170.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,772.00	\$0.00	\$3,607.84	\$209,256.00
06/01/34	\$35,779.00	\$630.00	3.00%	\$34,607.84	\$0.00	\$0.00	\$34,772.00	\$0.00	\$3,607.84	\$212,864.00
12/01/34	\$36,403.00	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,772.00	\$0.00	\$3,607.84	\$216,472.00
<p><b>Totals</b> \$1,382,870.00 \$713,608.45 \$3,076,478.50 \$4,772,946.95 \$0.00 \$2,154,823.27 \$69,143.50</p>										

Created by KVA on 3/29/08 at 11:08 a.m.  
Totals \$1,382,870.00 \$713,608.45 \$3,076,478.50 \$4,772,946.95 \$0.00 \$2,154,823.27 \$69,143.50

KENTUCKY INFRASTRUCTURE AUTHORITY  
REPAYMENT SCHEDULE  
BEAVER-ELKHORN WATER DISTRICT

Reviewed by  
Southern Water Services

3.00% Rate  
\$71,897.79 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
08/01/88	\$28,427.47	\$4,361.30	3.00%	\$73,278.77	\$2,831.35	\$0.00	\$76,110.12	\$2,831,354.23	\$7,611.01	\$7,611.01
12/01/88	\$29,868.69	\$4,208.90	3.00%	\$71,897.79	\$2,801.93	\$0.00	\$74,699.72	\$2,772,057.87	\$7,469.87	\$15,080.88
06/01/89	\$30,316.92	\$4,158.87	3.00%	\$71,897.79	\$2,772.06	\$0.00	\$74,669.85	\$2,741,740.85	\$7,469.87	\$22,549.97
12/01/89	\$30,771.67	\$4,112.11	3.00%	\$71,897.79	\$2,741.74	\$0.00	\$74,639.53	\$2,710,959.28	\$7,469.87	\$30,011.82
06/01/90	\$31,233.25	\$4,066.54	3.00%	\$71,897.79	\$2,710.97	\$0.00	\$74,609.28	\$2,679,736.03	\$7,469.87	\$37,472.80
12/01/90	\$31,701.75	\$4,019.04	3.00%	\$71,897.79	\$2,679.74	\$0.00	\$74,579.52	\$2,648,034.28	\$7,469.87	\$44,935.55
06/01/91	\$32,177.27	\$3,972.51	3.00%	\$71,897.79	\$2,648.03	\$0.00	\$74,549.28	\$2,616,857.01	\$7,469.87	\$52,398.13
12/01/91	\$32,659.93	\$3,925.86	3.00%	\$71,897.79	\$2,616.86	\$0.00	\$74,519.05	\$2,585,197.08	\$7,469.87	\$59,865.50
06/01/92	\$33,149.83	\$3,879.87	3.00%	\$71,897.79	\$2,585.20	\$0.00	\$74,488.84	\$2,553,047.24	\$7,469.87	\$67,338.93
12/01/92	\$33,647.08	\$3,834.71	3.00%	\$71,897.79	\$2,553.05	\$0.00	\$74,458.64	\$2,520,800.18	\$7,469.87	\$74,793.38
06/01/93	\$34,151.78	\$3,789.74	3.00%	\$71,897.79	\$2,520.80	\$0.00	\$74,428.48	\$2,488,464.70	\$7,469.87	\$82,258.59
12/01/93	\$34,664.06	\$3,745.37	3.00%	\$71,897.79	\$2,488.48	\$0.00	\$74,398.32	\$2,456,030.38	\$7,469.87	\$89,728.80
06/01/94	\$35,184.02	\$3,701.76	3.00%	\$71,897.79	\$2,456.03	\$0.00	\$74,368.19	\$2,423,507.19	\$7,469.87	\$97,203.34
12/01/94	\$35,711.78	\$3,658.00	3.00%	\$71,897.79	\$2,423.50	\$0.00	\$74,338.09	\$2,390,869.10	\$7,469.87	\$104,674.36
06/01/95	\$36,247.46	\$3,614.33	3.00%	\$71,897.79	\$2,390.86	\$0.00	\$74,307.97	\$2,358,121.13	\$7,469.87	\$112,141.60
12/01/95	\$36,791.17	\$3,570.62	3.00%	\$71,897.79	\$2,358.13	\$0.00	\$74,277.84	\$2,325,263.29	\$7,469.87	\$119,604.84
06/01/96	\$37,343.04	\$3,526.85	3.00%	\$71,897.79	\$2,325.26	\$0.00	\$74,247.72	\$2,292,285.53	\$7,469.87	\$127,069.61
12/01/96	\$37,903.59	\$3,483.00	3.00%	\$71,897.79	\$2,292.28	\$0.00	\$74,217.61	\$2,259,187.84	\$7,469.87	\$134,526.52
06/01/97	\$38,471.73	\$3,438.81	3.00%	\$71,897.79	\$2,259.19	\$0.00	\$74,187.51	\$2,225,960.33	\$7,469.87	\$141,975.71
12/01/97	\$39,048.81	\$3,394.34	3.00%	\$71,897.79	\$2,225.96	\$0.00	\$74,157.42	\$2,192,602.91	\$7,469.87	\$149,416.71
06/01/98	\$39,634.54	\$3,349.54	3.00%	\$71,897.79	\$2,192.60	\$0.00	\$74,127.34	\$2,159,115.57	\$7,469.87	\$156,849.71
12/01/98	\$40,229.06	\$3,304.30	3.00%	\$71,897.79	\$2,159.15	\$0.00	\$74,097.27	\$2,125,498.30	\$7,469.87	\$164,274.71
06/01/99	\$40,832.50	\$3,258.57	3.00%	\$71,897.79	\$2,125.49	\$0.00	\$74,067.21	\$2,091,750.09	\$7,469.87	\$171,691.71
12/01/99	\$41,444.98	\$3,212.51	3.00%	\$71,897.79	\$2,091.75	\$0.00	\$74,037.16	\$2,057,862.93	\$7,469.87	\$179,091.71
06/01/10	\$42,068.66	\$3,166.08	3.00%	\$71,897.79	\$2,057.86	\$0.00	\$74,007.12	\$2,023,825.81	\$7,469.87	\$186,474.71
12/01/10	\$42,703.74	\$3,119.24	3.00%	\$71,897.79	\$2,023.89	\$0.00	\$73,977.09	\$1,989,636.72	\$7,469.87	\$193,840.71
06/01/11	\$43,349.12	\$3,071.94	3.00%	\$71,897.79	\$1,989.66	\$0.00	\$73,947.07	\$1,955,297.65	\$7,469.87	\$201,189.71
12/01/11	\$43,999.59	\$3,024.29	3.00%	\$71,897.79	\$1,955.29	\$0.00	\$73,917.06	\$1,920,808.59	\$7,469.87	\$208,521.71
06/01/12	\$44,664.02	\$2,976.13	3.00%	\$71,897.79	\$1,920.82	\$0.00	\$73,887.06	\$1,886,170.53	\$7,469.87	\$215,836.71
12/01/12	\$45,342.37	\$2,927.47	3.00%	\$71,897.79	\$1,886.17	\$0.00	\$73,857.07	\$1,851,383.46	\$7,469.87	\$223,136.71
06/01/13	\$46,034.54	\$2,878.24	3.00%	\$71,897.79	\$1,851.38	\$0.00	\$73,827.09	\$1,816,349.37	\$7,469.87	\$230,421.71
12/01/13	\$46,740.60	\$2,828.46	3.00%	\$71,897.79	\$1,816.65	\$0.00	\$73,797.12	\$1,781,052.25	\$7,469.87	\$237,691.71
06/01/14	\$47,461.47	\$2,778.13	3.00%	\$71,897.79	\$1,781.05	\$0.00	\$73,767.16	\$1,745,490.09	\$7,469.87	\$244,946.71
12/01/14	\$48,198.59	\$2,727.29	3.00%	\$71,897.79	\$1,745.49	\$0.00	\$73,737.21	\$1,709,662.88	\$7,469.87	\$252,186.71
06/01/15	\$48,952.37	\$2,675.94	3.00%	\$71,897.79	\$1,709.66	\$0.00	\$73,707.27	\$1,673,570.61	\$7,469.87	\$259,411.71
12/01/15	\$49,723.66	\$2,624.08	3.00%	\$71,897.79	\$1,673.57	\$0.00	\$73,677.34	\$1,637,212.27	\$7,469.87	\$266,621.71
06/01/16	\$50,511.09	\$2,571.71	3.00%	\$71,897.79	\$1,637.21	\$0.00	\$73,647.42	\$1,599,589.85	\$7,469.87	\$273,816.71
12/01/16	\$51,314.28	\$2,518.82	3.00%	\$71,897.79	\$1,599.58	\$0.00	\$73,617.51	\$1,561,702.34	\$7,469.87	\$280,996.71
06/01/17	\$52,132.83	\$2,465.40	3.00%	\$71,897.79	\$1,561.70	\$0.00	\$73,587.61	\$1,523,560.64	\$7,469.87	\$288,161.71
12/01/17	\$52,966.38	\$2,411.54	3.00%	\$71,897.79	\$1,523.57	\$0.00	\$73,557.71	\$1,485,662.93	\$7,469.87	\$295,311.71
06/01/18	\$53,815.51	\$2,357.24	3.00%	\$71,897.79	\$1,485.66	\$0.00	\$73,527.81	\$1,447,999.12	\$7,469.87	\$302,446.71
12/01/18	\$54,680.84	\$2,302.46	3.00%	\$71,897.79	\$1,447.99	\$0.00	\$73,497.91	\$1,410,570.21	\$7,469.87	\$309,566.71
06/01/19	\$55,562.99	\$2,247.13	3.00%	\$71,897.79	\$1,410.57	\$0.00	\$73,468.01	\$1,373,377.20	\$7,469.87	\$316,671.71
12/01/19	\$56,462.55	\$2,191.34	3.00%	\$71,897.79	\$1,373.38	\$0.00	\$73,438.11	\$1,336,419.09	\$7,469.87	\$323,761.71
06/01/20	\$57,379.17	\$2,135.00	3.00%	\$71,897.79	\$1,336.42	\$0.00	\$73,408.21	\$1,299,686.67	\$7,469.87	\$330,836.71
12/01/20	\$58,312.44	\$2,078.11	3.00%	\$71,897.79	\$1,299.67	\$0.00	\$73,378.31	\$1,263,177.36	\$7,469.87	\$337,896.71
06/01/21	\$59,261.91	\$2,020.67	3.00%	\$71,897.79	\$1,263.17	\$0.00	\$73,348.41	\$1,226,898.95	\$7,469.87	\$344,941.71
12/01/21	\$60,228.18	\$1,962.68	3.00%	\$71,897.79	\$1,226.82	\$0.00	\$73,318.51	\$1,190,850.13	\$7,469.87	\$351,971.71
06/01/22	\$61,211.63	\$1,904.14	3.00%	\$71,897.79	\$1,190.81	\$0.00	\$73,288.61	\$1,154,931.52	\$7,469.87	\$358,986.71
12/01/22	\$62,211.88	\$1,845.04	3.00%	\$71,897.79	\$1,154.93	\$0.00	\$73,258.71	\$1,119,642.81	\$7,469.87	\$365,986.71
06/01/23	\$63,228.63	\$1,785.38	3.00%	\$71,897.79	\$1,119.67	\$0.00	\$73,228.81	\$1,084,984.00	\$7,469.87	\$372,971.71
12/01/23	\$64,261.47	\$1,725.16	3.00%	\$71,897.79	\$1,084.98	\$0.00	\$73,198.91	\$1,050,955.09	\$7,469.87	\$379,941.71
06/01/24	\$65,310.91	\$1,664.39	3.00%	\$71,897.79	\$1,050.95	\$0.00	\$73,169.01	\$1,017,556.08	\$7,469.87	\$386,896.71
12/01/24	\$66,376.63	\$1,603.06	3.00%	\$71,897.79	\$1,017.56	\$0.00	\$73,139.11	\$984,776.97	\$7,469.87	\$393,836.71
06/01/25	\$67,459.25	\$1,541.18	3.00%	\$71,897.79	\$984.78	\$0.00	\$73,109.21	\$952,617.76	\$7,469.87	\$400,761.71
12/01/25	\$68,558.38	\$1,478.74	3.00%	\$71,897.79	\$952.62	\$0.00	\$73,079.31	\$921,079.45	\$7,469.87	\$407,671.71
06/01/26	\$69,674.63	\$1,415.74	3.00%	\$71,897.79	\$921.07	\$0.00	\$73,049.41	\$890,154.04	\$7,469.87	\$414,566.71
12/01/26	\$70,807.79	\$1,352.18	3.00%	\$71,897.79	\$890.10	\$0.00	\$73,019.51	\$859,834.53	\$7,469.87	\$421,446.71
06/01/27	\$71,958.45	\$1,288.06	3.00%	\$71,897.79	\$859.85	\$0.00	\$72,989.61	\$830,119.92	\$7,469.87	\$428,311.71
12/01/27	\$73,125.25	\$1,223.28	3.00%	\$71,897.79	\$830.12	\$0.00	\$72,959.71	\$801,000.20	\$7,469.87	\$435,166.71
Totals	\$2,831,354.22	\$1,453,884.05		\$4,315,248.27	\$8,834.20	\$0.00	\$4,414,082.48	\$0.00	\$4,414,082.48	\$141,567.71

REPORT

wysiwyg://0/http://199.128.84.20/bond/bondscheduler.ht


**RURAL UTILITIES SERVICE  
BOND SCHEDULE, 4/26/2002**


Name of Borrower: Southern Water and Sewer District			
Amount of Loan	2515000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	1000	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2003	1	1	113175	113175	0	2515000
2004	1	2	113175	113175	0	2515000
2005	1	3	139175	113175	26000	2489000
2006	1	4	139005	112005	27000	2462000
2007	1	5	139790	110790	29000	2433000
2008	1	6	139485	109485	30000	2403000
2009	1	7	139135	108135	31000	2372000
2010	1	8	139740	106740	33000	2339000
2011	1	9	139255	105255	34000	2305000
2012	1	10	139725	103725	36000	2269000
2013	1	11	139105	102105	37000	2232000
2014	1	12	139440	100440	39000	2193000
2015	1	13	139685	98685	41000	2152000
2016	1	14	139840	96840	43000	2109000
2017	1	15	138905	94905	44000	2065000
2018	1	16	138925	92925	46000	2019000
2019	1	17	139855	90855	49000	1970000
2020	1	18	139650	88650	51000	1919000
2021	1	19	139355	86355	53000	1866000
2022	1	20	138970	83970	55000	1811000
2023	1	21	139495	81495	58000	1753000
2024	1	22	138885	78885	60000	1693000
2025	1	23	139185	76185	63000	1630000
2026	1	24	139350	73350	66000	1564000
2027	1	25	139380	70380	69000	1495000
2028	1	26	139275	67275	72000	1423000
2029	1	27	139035	64035	75000	1348000
2030	1	28	139660	60660	79000	1269000
2031	1	29	139105	57105	82000	1187000
2032	1	30	139415	53415	86000	1101000
2033	1	31	139545	49545	90000	1011000
2034	1	32	139495	45495	94000	917000
2035	1	33	139265	41265	98000	819000
2036	1	34	139855	36855	103000	716000
2037	1	35	139220	32220	107000	609000
2038	1	36	139405	27405	112000	497000
2039	1	37	139365	22365	117000	380000
2040	1	38	139100	17100	122000	258000
2041	1	39	139610	11610	128000	130000
2042	1	40	135850	5850	130000	0
<b>TOTALS</b>			<b>5518885</b>	<b>3003885</b>	<b>2515000</b>	



**RURAL UTILITIES SERVICE  
BOND SCHEDULE, 8/16/2005**

<b>Name of Borrower: Southern Water and Sewer District</b>			
Amount of Loan	225000	Annual Interest Rate	0.0425
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2006	1	1	9563	9563	0	225000
2007	1	2	9563	9563	0	225000
2008	1	3	12063	9563	2500	222500
2009	1	4	11957	9457	2500	220000
2010	1	5	11850	9350	2500	217500
2011	1	6	12244	9244	3000	214500
2012	1	7	12117	9117	3000	211500
2013	1	8	11989	8989	3000	208500
2014	1	9	11862	8862	3000	205500
2015	1	10	12234	8734	3500	202000
2016	1	11	12085	8585	3500	198500
2017	1	12	11937	8437	3500	195000
2018	1	13	12288	8288	4000	191000
2019	1	14	12118	8118	4000	187000
2020	1	15	11948	7948	4000	183000
2021	1	16	12278	7778	4500	178500
2022	1	17	12087	7587	4500	174000
2023	1	18	11895	7395	4500	169500
2024	1	19	12204	7204	5000	164500
2025	1	20	11992	6992	5000	159500
2026	1	21	12279	6779	5500	154000
2027	1	22	12045	6545	5500	148500
2028	1	23	11812	6312	5500	143000
2029	1	24	12078	6078	6000	137000
2030	1	25	11823	5823	6000	131000
2031	1	26	12068	5568	6500	124500
2032	1	27	11792	5292	6500	118000
2033	1	28	12015	5015	7000	111000
2034	1	29	12218	4718	7500	103500
2035	1	30	11899	4399	7500	96000
2036	1	31	12080	4080	8000	88000
2037	1	32	12240	3740	8500	79500
2038	1	33	11879	3379	8500	71000
2039	1	34	12018	3018	9000	62000
2040	1	35	12135	2635	9500	52500
2041	1	36	12232	2232	10000	42500
2042	1	37	11807	1807	10000	32500
2043	1	38	11882	1382	10500	22000
2044	1	39	11935	935	11000	11000
2045	1	40	11468	468	11000	0
<b>TOTALS</b>			<b>475979</b>	<b>250979</b>	<b>225000</b>	

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN #A04-06  
 SOUTHERN WATER & SEWER  
 SUBJECT TO CHANGE WITH ADDITIONAL DRAWS

1.00% Rate  
 \$1,862.64 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
12/01/05	\$1,525.76	\$260.15	1.00%	\$1,785.91	\$67.38	\$0.00	\$1,853.29	\$67,376.00	\$4,400.00	\$4,400.00
06/01/06	\$1,533.39	\$329.25	1.00%	\$1,862.64	\$65.85	\$0.00	\$1,928.49	\$65,850.24	\$4,400.00	\$4,400.00
12/01/06	\$1,541.06	\$321.58	1.00%	\$1,862.64	\$64.32	\$0.00	\$1,926.96	\$64,316.84	\$0.00	\$4,400.00
06/01/07	\$1,548.76	\$313.88	1.00%	\$1,862.64	\$62.78	\$0.00	\$1,925.42	\$62,775.78	\$4,400.00	\$8,800.00
12/01/07	\$1,556.50	\$306.14	1.00%	\$1,862.64	\$61.23	\$0.00	\$1,923.87	\$61,227.01	\$0.00	\$8,800.00
06/01/08	\$1,564.29	\$298.35	1.00%	\$1,862.64	\$59.67	\$0.00	\$1,922.31	\$59,670.51	\$4,400.00	\$13,200.00
12/01/08	\$1,572.11	\$290.53	1.00%	\$1,862.64	\$58.11	\$0.00	\$1,920.75	\$58,106.21	\$0.00	\$13,200.00
06/01/09	\$1,579.97	\$282.67	1.00%	\$1,862.64	\$56.53	\$0.00	\$1,919.18	\$56,534.10	\$4,400.00	\$17,600.00
12/01/09	\$1,587.87	\$274.77	1.00%	\$1,862.64	\$54.95	\$0.00	\$1,917.60	\$54,954.12	\$0.00	\$17,600.00
06/01/10	\$1,595.81	\$266.83	1.00%	\$1,862.64	\$53.37	\$0.00	\$1,916.01	\$53,366.25	\$4,400.00	\$22,000.00
12/01/10	\$1,603.79	\$258.85	1.00%	\$1,862.64	\$51.77	\$0.00	\$1,914.41	\$51,770.44	\$0.00	\$22,000.00
06/01/11	\$1,611.81	\$250.83	1.00%	\$1,862.64	\$50.17	\$0.00	\$1,912.81	\$50,166.64	\$4,400.00	\$26,400.00
12/01/11	\$1,619.87	\$242.77	1.00%	\$1,862.64	\$48.55	\$0.00	\$1,911.20	\$48,554.83	\$0.00	\$26,400.00
06/01/12	\$1,627.97	\$234.67	1.00%	\$1,862.64	\$46.93	\$0.00	\$1,909.59	\$46,934.95	\$4,400.00	\$30,800.00
12/01/12	\$1,636.11	\$226.53	1.00%	\$1,862.64	\$45.31	\$0.00	\$1,907.95	\$45,306.98	\$0.00	\$30,800.00
06/01/13	\$1,644.29	\$218.35	1.00%	\$1,862.64	\$43.67	\$0.00	\$1,906.32	\$43,670.86	\$4,400.00	\$35,200.00
12/01/13	\$1,652.51	\$210.13	1.00%	\$1,862.64	\$42.03	\$0.00	\$1,904.67	\$42,026.57	\$0.00	\$35,200.00
06/01/14	\$1,660.77	\$201.87	1.00%	\$1,862.64	\$40.37	\$0.00	\$1,903.02	\$40,374.05	\$4,400.00	\$39,600.00
12/01/14	\$1,669.07	\$193.57	1.00%	\$1,862.64	\$38.71	\$0.00	\$1,901.36	\$38,713.28	\$0.00	\$39,600.00
06/01/15	\$1,677.42	\$185.22	1.00%	\$1,862.64	\$37.04	\$0.00	\$1,899.69	\$37,044.21	\$4,400.00	\$44,000.00
12/01/15	\$1,685.81	\$176.83	1.00%	\$1,862.64	\$35.37	\$0.00	\$1,898.01	\$35,366.78	\$0.00	\$44,000.00
06/01/16	\$1,694.24	\$168.40	1.00%	\$1,862.64	\$33.68	\$0.00	\$1,896.33	\$33,680.97	\$0.00	\$44,000.00
12/01/16	\$1,702.71	\$159.93	1.00%	\$1,862.64	\$31.99	\$0.00	\$1,894.63	\$31,986.72	\$0.00	\$44,000.00
06/01/17	\$1,711.22	\$151.42	1.00%	\$1,862.64	\$30.28	\$0.00	\$1,892.93	\$30,284.01	\$0.00	\$44,000.00
12/01/17	\$1,719.78	\$142.86	1.00%	\$1,862.64	\$28.57	\$0.00	\$1,891.22	\$28,572.78	\$0.00	\$44,000.00
06/01/18	\$1,728.38	\$134.26	1.00%	\$1,862.64	\$26.85	\$0.00	\$1,889.50	\$26,853.00	\$0.00	\$44,000.00
12/01/18	\$1,737.02	\$125.62	1.00%	\$1,862.64	\$25.12	\$0.00	\$1,887.77	\$25,124.61	\$0.00	\$44,000.00
06/01/19	\$1,745.70	\$116.94	1.00%	\$1,862.64	\$23.39	\$0.00	\$1,886.03	\$23,387.59	\$0.00	\$44,000.00
12/01/19	\$1,754.43	\$108.21	1.00%	\$1,862.64	\$21.64	\$0.00	\$1,884.29	\$21,641.88	\$0.00	\$44,000.00
06/01/20	\$1,763.20	\$99.44	1.00%	\$1,862.64	\$19.89	\$0.00	\$1,882.53	\$19,887.45	\$0.00	\$44,000.00
12/01/20	\$1,772.02	\$90.62	1.00%	\$1,862.64	\$18.12	\$0.00	\$1,880.77	\$18,124.25	\$0.00	\$44,000.00
06/01/21	\$1,780.88	\$81.76	1.00%	\$1,862.64	\$16.35	\$0.00	\$1,879.00	\$16,352.22	\$0.00	\$44,000.00
12/01/21	\$1,789.78	\$72.86	1.00%	\$1,862.64	\$14.57	\$0.00	\$1,877.22	\$14,571.34	\$0.00	\$44,000.00
06/01/22	\$1,798.73	\$63.91	1.00%	\$1,862.64	\$12.78	\$0.00	\$1,875.43	\$12,781.55	\$0.00	\$44,000.00
12/01/22	\$1,807.73	\$54.91	1.00%	\$1,862.64	\$10.98	\$0.00	\$1,873.63	\$10,982.82	\$0.00	\$44,000.00
06/01/23	\$1,816.76	\$45.88	1.00%	\$1,862.64	\$9.18	\$0.00	\$1,871.82	\$9,175.08	\$0.00	\$44,000.00
12/01/23	\$1,825.85	\$36.79	1.00%	\$1,862.64	\$7.36	\$0.00	\$1,870.00	\$7,358.32	\$0.00	\$44,000.00
06/01/24	\$1,834.98	\$27.66	1.00%	\$1,862.64	\$5.53	\$0.00	\$1,868.18	\$5,532.46	\$0.00	\$44,000.00
12/01/24	\$1,844.15	\$18.49	1.00%	\$1,862.64	\$3.70	\$0.00	\$1,866.34	\$3,697.48	\$0.00	\$44,000.00
06/01/25	\$1,853.32	\$9.32	1.00%	\$1,862.64	\$1.85	\$0.00	\$1,864.50	\$1,853.33	\$0.00	\$44,000.00
<b>Totals</b>	<b>\$67,376.00</b>	<b>\$7,053.05</b>		<b>\$74,429.04</b>	<b>\$1,425.95</b>	<b>\$0.00</b>	<b>\$75,855.00</b>	<b>\$67,376.00</b>	<b>\$44,000.00</b>	<b>\$44,000.00</b>

# AMORTIZATION SCHEDULE

<b>Principal</b> \$600,000.00	<b>Loan Date</b> 02-10-2006	<b>Maturity</b> 02-10-2008	<b>Loan No</b> 10002110	<b>Call/Coll</b>	<b>Account</b>	<b>Officer</b> CDJ	<b>Initials</b>
References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing ***** has been omitted due to text length limitations.							

**Borrower:** SOUTHERN WATER & SEWER DISTRICT (TIN: 61-0874341)  
P.O. Box 610  
McDowell, KY 41647

**Lender:** First Guaranty Bank  
P.O. Box 888  
39 Triangle Street  
Martin, KY 41649

Disbursement Date: February 10, 2006  
Interest Rate: 5.100

Repayment Schedule: Balloon  
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	03-10-2006	9,709.54	2,380.00	7,329.54	592,670.46
2	04-10-2006	9,709.54	2,602.81	7,106.73	585,563.73
3	05-10-2006	9,709.54	2,488.65	7,220.89	578,342.84
4	06-10-2006	9,709.54	2,539.89	7,169.65	571,173.19
5	07-10-2006	9,709.54	2,427.49	7,282.05	563,891.14
6	08-10-2006	9,709.54	2,476.42	7,233.12	556,658.02
7	09-10-2006	9,709.54	2,444.66	7,264.88	549,393.14
8	10-10-2006	9,709.54	2,334.92	7,374.62	542,018.52
9	11-10-2006	9,709.54	2,380.36	7,329.18	534,689.34
10	12-10-2006	9,709.54	2,272.43	7,437.11	527,252.23
<b>2006 TOTALS:</b>		<b>97,095.40</b>	<b>24,347.63</b>	<b>72,747.77</b>	
11	01-10-2007	9,709.54	2,315.52	7,394.02	519,858.21
12	02-10-2007	9,709.54	2,283.04	7,426.50	512,431.71
13	03-10-2007	9,709.54	2,032.65	7,676.89	504,754.82
14	04-10-2007	9,709.54	2,216.71	7,492.83	497,261.99
15	05-10-2007	9,709.54	2,113.36	7,596.18	489,665.81
16	06-10-2007	9,709.54	2,150.45	7,559.09	482,106.72
17	07-10-2007	9,709.54	2,048.95	7,660.59	474,446.13
18	08-10-2007	9,709.54	2,083.61	7,625.93	466,820.20
19	09-10-2007	9,709.54	2,050.12	7,659.42	459,160.78
20	10-10-2007	9,709.54	1,951.43	7,758.11	451,402.67
21	11-10-2007	9,709.54	1,982.41	7,727.13	443,675.54
22	12-10-2007	9,709.54	1,885.62	7,823.92	435,851.62
<b>2007 TOTALS:</b>		<b>116,514.48</b>	<b>25,113.87</b>	<b>91,400.61</b>	
23	01-10-2008	9,709.54	1,914.11	7,795.43	428,056.19
24	02-10-2008	429,936.07	1,879.88	428,056.19	0.00
<b>2008 TOTALS:</b>		<b>439,645.61</b>	<b>3,793.99</b>	<b>435,851.62</b>	
<b>TOTALS:</b>		<b>653,255.49</b>	<b>53,255.49</b>	<b>600,000.00</b>	

**NOTICE:** This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

LASER PRO Lending, Ver. 5.30.00.004 Copr. Harland Financial Solutions, Inc. 1997, 2006. All Rights Reserved. - KY ZYCRLOANS-CRPLUAMORT.FC TR-5799 PR-COMMS

COPY

## Payment Schedule

Lease Number:

8483900

APR: 6.20%

Lease Payment Number	Lease Payment Date	Lease Payment	Interest Portion	Principal Portion	Concluding Payment
1	3 / 1 / 2006	3,169.68	0.00	3,169.68	101,247.32
2	4 / 1 / 2006	3,169.68	523.11	2,646.57	98,600.75
3	5 / 1 / 2006	3,169.68	509.44	2,660.24	95,940.51
4	6 / 1 / 2006	3,169.68	495.69	2,673.99	93,266.52
5	7 / 1 / 2006	3,169.68	481.88	2,687.80	90,578.72
6	8 / 1 / 2006	3,169.68	467.99	2,701.69	87,877.03
7	9 / 1 / 2006	3,169.68	454.03	2,715.65	85,161.38
8	10 / 1 / 2006	3,169.68	440.00	2,729.68	82,431.70
9	11 / 1 / 2006	3,169.68	425.90	2,743.78	79,687.92
10	12 / 1 / 2006	3,169.68	411.72	2,757.96	76,929.96
11	1 / 1 / 2007	3,169.68	397.47	2,772.21	74,157.75
12	2 / 1 / 2007	3,169.68	383.15	2,786.53	71,371.22
13	3 / 1 / 2007	3,169.68	368.75	2,800.93	68,570.29
14	4 / 1 / 2007	3,169.68	354.28	2,815.40	65,754.89
15	5 / 1 / 2007	3,169.68	339.73	2,829.95	62,924.94
16	6 / 1 / 2007	3,169.68	325.11	2,844.57	60,080.37
17	7 / 1 / 2007	3,169.68	310.42	2,859.26	57,221.11
18	8 / 1 / 2007	3,169.68	295.64	2,874.04	54,347.07
19	9 / 1 / 2007	3,169.68	280.79	2,888.89	51,458.18
20	10 / 1 / 2007	3,169.68	265.87	2,903.81	48,554.37
21	11 / 1 / 2007	3,169.68	250.86	2,918.82	45,635.55
22	12 / 1 / 2007	3,169.68	235.78	2,933.90	42,701.65
23	1 / 1 / 2008	3,169.68	220.63	2,949.05	39,752.60
24	2 / 1 / 2008	3,169.68	205.39	2,964.29	36,788.31
25	3 / 1 / 2008	3,169.68	190.07	2,979.61	33,808.70
26	4 / 1 / 2008	3,169.68	174.68	2,995.00	30,813.70
27	5 / 1 / 2008	3,169.68	159.20	3,010.48	27,803.22
28	6 / 1 / 2008	3,169.68	143.65	3,026.03	24,777.19
29	7 / 1 / 2008	3,169.68	128.02	3,041.66	21,735.53
30	8 / 1 / 2008	3,169.68	112.30	3,057.38	18,678.15
31	9 / 1 / 2008	3,169.68	96.50	3,073.18	15,604.97
32	10 / 1 / 2008	3,169.68	80.63	3,089.05	12,515.92
33	11 / 1 / 2008	3,169.68	64.67	3,105.01	9,410.91
34	12 / 1 / 2008	3,169.68	48.62	3,121.06	6,289.85
35	1 / 1 / 2009	3,169.68	32.50	3,137.18	3,152.67
36	2 / 1 / 2009	3,168.96	16.29	3,152.67	1.00
TOTALS		114,107.76	9,690.76	104,417.00	

**Southern Water and Sewer District**  
**BALANCE SHEET**  
**As of December 31, 2006**

**ASSETS**

**CURRENT ASSETS**

Cash on Hand	\$ 460.00
First Guaranty - New	(7,254.28)
Accounts Receivable - Water	471,378.76
Accounts Receivable - Garbage	189,267.49
Accounts Receivable - Sewer	19,203.66
A/R - CDBG Grant	5,000.00
Prepaid Insurance - KACO	20,252.00
KIA Escrow - New	46,750.63
KIA R & M Reserve - New	68,353.06
KIA R & M Reserve #3 - New	138,338.19
First Guaranty - RD Account	5,630.70
RD Depreciation Reserve Acct.	26,402.15
RD Escrow Acct	<u>91,693.87</u>

**Total Current Assets** 1,075,476.23

**PROPERTY AND EQUIPMENT**

Utility Plant	27,484,221.14
Utility Plant	1,812,961.49
Utility Plant Sewer	3,562,511.38
Construction in Progress	1,199,359.28
Less: Accumulated Depreciation	<u>(9,461,634.31)</u>

**Net Property and Equipment** 24,597,418.98

**OTHER ASSETS**

Prepaid Interest	98,409.92
Accumulated Amortization	<u>(9,841.00)</u>

**Total Other Assets** 88,568.92

**TOTAL ASSETS** \$ 25,761,464.13

**Southern Water and Sewer District**  
**BALANCE SHEET**  
**As of December 31, 2006**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 682.00
A/P - CIP	6,939.00
NOTE PAYABLE-FIRST GUARANTY	<u>527,311.54</u>
First Guaranty USF Trucks	11,727.31
LEASE PAYABLE - FORD MOTOR	76,929.96
Customer Deposits	68,888.66
Accrued Fica	46,538.44
Accrued Ky WTH	6,208.27
Accrued KUI/FUTA	428.70
Accrued School Tax	3,956.12
Accrued Sales Tax	642.28
Accrued 401-k	4,242.82
Accrued Interest - KIA III	8,472.40
Accrued Interest - Meter Deposits	3,546.00
Accrued Interest - Bonds	51,828.75
Accrued Interest - New Bond	4,781.25
A/P - Solid Waste	<u>454,872.53</u>

**Total Current Liabilities** 1,277,996.03

**LONG-TERM LIABILITIES**

N/P - KIA I	957,279.34
N/P - KIA III	2,228,403.67
Bonds Payable	2,462,000.00
N/P - KIA A-04-06	63,405.92
Bonds Payable (New)	<u>225,000.00</u>

**Total Long-Term Liabilities** 5,936,088.93

**Total Liabilities** 7,214,084.96

**CAPITAL**

Contributed Capital	23,987,465.34
RD Grant Funds	450,000.00
ARC Grant Funds	433,919.00
Grant in Aid - AML (Johns Creek)	168,277.33
Grant in Aid - Pride (Wayland)	1,020,000.00
Advances for Construction - Bill Hall Bran	423,410.31
KIA - R & M Reserve	67,187.14
R & M Reserve - KIA iii	120,808.80
Bond Depreciation Reserve	13,980.00
Current Earnings	(901,815.11)
Retained Earnings	<u>(7,235,853.64)</u>

**Total Stockholders' Equity** 18,547,379.17

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** \$ 25,761,464.13

**Southern Water and Sewer District**  
**INCOME STATEMENT - CONSOLIDATED**  
**For the 1 Month and 12 Months Ended December 31, 2006**

	1 Month Ended December 31, 2006	%	12 Months Ended December 31, 2006	%
<b>Sales</b>				
Metered Sales - Residential	\$ 253,688.58	79.94	\$ 1,925,337.70	74.61
Metered Sales - Business	36,019.30	11.35	408,762.40	15.84
Metered Sales - Sewer	9,903.26	3.12	76,584.50	2.97
Sales for Resale	4,708.80	1.48	49,276.80	1.91
Penalties	5,430.51	1.71	58,813.75	2.28
Meter Service	1,425.00	0.45	20,890.08	0.81
Tap fees	1,935.00	0.61	40,872.70	1.58
Garbage Sales Revenue	4,233.76	1.33	0.00	0.00
Less Returns & Allowances	0.00	0.00	0.00	0.00
<b>Total Sales</b>	<b>317,344.21</b>	<b>100.00</b>	<b>2,580,537.93</b>	<b>100.00</b>
<b>Gross Profit</b>	<b>317,344.21</b>	<b>100.00</b>	<b>2,580,537.93</b>	<b>100.00</b>
<b>Operating Expenses</b>				
Solid Waste Payments	(234,029.79)	(73.75)	0.00	0.00
Water Purchases	137,029.50	43.18	179,481.09	6.96
Management Fees	4,603.51	1.45	190,014.80	7.36
Operations Labor - Pumping	10,682.44	3.37	124,546.34	4.83
CHEMICALS-SEWER	0.00	0.00	2,276.20	0.09
Fuel for Power Production	0.00	0.00	3,142.82	0.12
Supplies - Pumping	557.13	0.18	3,821.79	0.15
Repairs - Pumping	0.00	0.00	7,062.30	0.27
Telephone & Utilities - Pumping	9,170.74	2.89	29,765.03	1.15
LAB SERVICES	9,963.46	3.14	17,969.77	0.70
Chemicals	3,735.52	1.18	72,138.76	2.80
Fuel	174.00	0.05	1,906.55	0.07
Sewer Supplies	0.00	0.00	456.77	0.02
Lawn Service	0.00	0.00	5,500.00	0.21
Power-WTP	0.00	0.00	14,961.66	0.58
LAB-SEWER	0.00	0.00	7,045.50	0.27
SUPPLIES	0.00	0.00	6,684.49	0.26
Natural Gas-WTP	413.43	0.13	576.01	0.02
Operations Labor - T & D	21,752.63	6.85	241,389.71	9.35
WAGES-SEWER	988.80	0.31	15,120.24	0.59
Uniform Rental - T & D	0.00	0.00	3,644.99	0.14
Supplies - T & D	29,798.86	9.39	145,334.49	5.63
Vehicle Repairs - T & D	2,169.68	0.68	8,108.84	0.31
Utilities - T & D	(110,455.39)	(34.81)	157,621.51	6.11
Repairs Pump - T & D	0.00	0.00	49,068.37	1.90
Uniform Rental - T & D	0.00	0.00	809.67	0.03
Vehicle Repairs - T & D	1,492.89	0.47	2,189.99	0.08
Repairs - T & D	1,059.75	0.33	20,872.89	0.81
Fuel-Gasoline	2,990.46	0.94	41,207.17	1.60
LAB-DIST	1,292.00	0.41	3,032.55	0.12
UTILITIES-SEWER	1,083.44	0.34	16,677.00	0.65

See Accountants' Compilation Report

**Southern Water and Sewer District**  
**INCOME STATEMENT - CONSOLIDATED**  
**For the 1 Month and 12 Months Ended December 31, 2006**

	1 Month Ended December 31, 2006	%	12 Months Ended December 31, 2006	%
FUEL-WWTP	0.00	0.00	0.00	0.00
Truck Lease	0.00	0.00	3,226.73	0.13
Equip. Rental	0.00	0.00	6,650.00	0.26
Repairs-Sewer	0.00	0.00	1,936.83	0.08
Safety supplies	1,241.32	0.39	1,241.32	0.05
UNIFORMS - SEWER	0.00	0.00	254.90	0.01
Billing Postage	7,140.96	2.25	33,508.17	1.30
Billing Postage	0.00	0.00	0.00	0.00
Wages - Office	10,969.60	3.46	146,289.28	5.67
Rent	2,000.00	0.63	15,119.40	0.59
Office Postage	0.00	0.00	111.51	0.00
Office Supplies	(114.00)	(0.04)	11,669.07	0.45
Telephone & Utilities - Office	725.56	0.23	9,319.06	0.36
Bank Charges	114.00	0.04	0.00	0.00
Health Insurance	25,862.44	8.15	87,712.37	3.40
SHIPPING	28.67	0.01	604.11	0.02
DENTAL INS	550.60	0.17	5,506.00	0.21
Workers Comp	8,564.00	2.70	29,945.00	1.16
Life Ins.	0.00	0.00	2,943.86	0.11
HEALTH INSURANCE - SEWER	(36.00)	(0.01)	3,333.59	0.13
Legal	0.00	0.00	1,707.00	0.07
Accounting	428.00	0.13	24,629.00	0.95
Engineering	0.00	0.00	0.00	0.00
Professional Fees	0.00	0.00	898.44	0.03
Legal	0.00	0.00	100.00	0.00
Property Insurance	(24,816.00)	(7.82)	90,683.43	3.51
Commissioners Bond	0.00	0.00	507.50	0.02
Bonds	0.00	0.00	76.13	0.00
Commissioner's Bond	0.00	0.00	0.00	0.00
Bonds	0.00	0.00	324.80	0.01
Commissioner's Fee	1,500.00	0.47	12,500.00	0.48
Railroad Rent/Easements	0.00	0.00	1,500.00	0.06
Misc. Expenses	1,000.00	0.32	12,401.24	0.48
Misc. Expenses	0.00	0.00	0.00	0.00
Travel Reimbursement	0.00	0.00	145.29	0.01
Travel Reimbursement	0.00	0.00	555.81	0.02
Travel Reimbursement	0.00	0.00	0.00	0.00
Training	145.29	0.05	1,290.89	0.05
Advertising	152.00	0.05	1,167.77	0.05
Bad Debt Expense	0.00	0.00	93,486.92	3.62
Depreciation Expense	91,180.00	28.73	1,094,160.00	42.40
Depreciation Expense	10,020.00	3.16	120,240.00	4.66
Payroll Taxes	21,251.24	6.70	35,342.69	1.37
PSC Taxes	0.00	0.00	3,478.40	0.13
Sales Taxes	0.00	0.00	0.00	0.00
Employer Pension Expense	2,354.38	0.74	3,518.58	0.14
<b>Total Operating Expenses</b>	<b>54,735.12</b>	<b>17.25</b>	<b>3,230,512.39</b>	<b>125.19</b>

See Accountants' Compilation Report  
4

**Southern Water and Sewer District**  
**INCOME STATEMENT - CONSOLIDATED**  
**For the 1 Month and 12 Months Ended December 31, 2006**

	1 Month Ended December 31, 2006	%	12 Months Ended December 31, 2006	%
<b>Operating Income (Loss)</b>	262,609.09	82.75	(649,974.46)	(25.19)
<b>Other Income (Expense)</b>				
Interest Expense - TFB	(15,257.75)	4.81	(26,738.37)	1.04
Interest Expense - KIA	(17,721.68)	5.58	(17,721.68)	0.69
INTEREST EXPENSE - LOC	(8,279.61)	2.61	(8,279.61)	0.32
Interest Expense - KIA	8,472.40	(2.67)	(87,119.58)	3.38
Interest Expense - Bonds	(10,867.14)	3.42	(113,538.39)	4.40
Interest Income - Now	58.98	0.02	663.20	0.03
Interest Income - Escrow	(1,052.29)	(0.33)	866.88	0.03
Interest Income	0.00	0.00	26.90	0.00
<b>Total Other Income (Expense)</b>	(44,647.09)	(14.07)	(251,840.65)	(9.76)
<b>Net Income (Loss) Before Taxes</b>	217,962.00	68.68	(901,815.11)	(34.95)
<b>Net Income (Loss)</b>	\$ 217,962.00	68.68	\$ (901,815.11)	(34.95)

**BUDGET PROJECTIONS  
SOUTHERN WATER & SEWER DISTRICT**

<b>SOUTHERN WATER BUDGET SUMMARY</b>		<b>2006 PROJECTED TOTAL (SWSD)</b>	<b>PROJECTED BUDGET 2007 (SWSD)</b>	<b>PROJECTED BUDGET SV - 2007</b>	<b>COMBINED BUDGET SWSD &amp; SV</b>
<b>REVENUES</b>					
WATER SALES	2,280,320	2,318,531 (A)	322,653	2,641,184	
SEWER SALES	67,282	70,646 (B)	0	70,646	
LATE CHARGES	0	0			
SERVICE FEES	71,483	72,681 (C)	13,039	85,720	
MISCELLANEOUS	0				
<b>TOTAL REVENUES</b>	<b>2,419,085</b>	<b>2,461,858</b>	<b>335,692</b>	<b>2,797,550</b>	
<b>EXPENSES</b>					
CONTRACT MGMT FEES	241,259	0 (D)		0	
OPERATIONS EXPENSES	1,564,327	1,680,570 (E)	285,684	1,966,254	
COMMISSIONER FEES	30,000	30,000 (F)		30,000	
PAYROLL TAXES (Comm Fees)	1,620	1,620		1,620	
SALES TAX	5,723	5,819 (G)		5,819	
<b>TOTAL OPERATING EXPENSES</b>	<b>1,842,929</b>	<b>1,718,009</b>	<b>285,684</b>	<b>2,003,693</b>	
<b>DEBT SERVICE PAYMENTS:</b>					
KIA 252-1-1 (Interest Exp)	29,611	30,308 (H)		30,308	
KIA 252-1-3 (Interest Exp)	68,550	70,692 (H)		70,692	
RD (2003 - 2,515,000) (Interest Exp)	112,005	110,790 (H)		110,790	
RD Loan (Dec 2004) (Interest Exp)	9,563	9,563 (H)		9,563	
KIA Loan: Wayland (Interest Exp)	781	744 (H)		744	
Bank Loan (Veolia Debt) (Interest)	24,348	25,114 (H)		25,114	
Floyd County Bond Issue (Prin & Int)	100,000	100,000 (I)		100,000	
<b>SUBTOTAL INTEREST EXPENSE</b>	<b>344,858</b>	<b>347,211</b>		<b>347,211</b>	
<b>PRINCIPAL / RESERVE PMTS</b>					
KIA 252-1-1 (Principal)	39,605	40,801 (H)		40,801	
KIA 252-1-1 (Reserve)	0	0 (H)		0	
KIA 252-1-3 (Principal)	75,246	77,521 (H)		77,521	
KIA 252-1-3 (Reserve)	14,866	14,866 (H)		14,866	
KIA A04-06 (Wayland) (Principal)	3,074	3,105 (H)		3,105	
KIA A04-06 (Wayland) (Reserve)	4,400	4,400 (H)		4,400	
RD (2003 - 2,515,000) (Principal)	27,000	29,000 (H)		29,000	
RD (2003 - 2,515,000) (Reserve)	13,980	13,980 (H)		13,980	
RD (Sandy Valley- Prin & Interest)			37,579	37,579	
Bank Loan (Veolia Debt) (Principal)	72,748	91,401 (H)		91,401	
<b>TOTAL PRINCIPAL / DEBT SVC</b>	<b>250,919</b>	<b>275,074</b>	<b>37,579</b>	<b>312,653</b>	
<b>TOTAL DEBT SERVICE:</b>	<b>595,777</b>	<b>622,285</b>	<b>37,579</b>	<b>659,864</b>	
<b>TOTAL EXPENSES &amp; D/S</b>	<b>2,438,706</b>	<b>2,340,294</b>	<b>323,263</b>	<b>2,663,557</b>	
<b>REVENUE OVER / (UNDER)</b>					
<b>EXPENSES</b>	<b>-19,621</b>	<b>121,564</b>	<b>12,429</b>	<b>133,993</b>	
<b>DEPRECIATION (NON-CASH EXPENSE)</b>	<b>1,082,900</b>	<b>1,082,900 (J)</b>		<b>1,082,900</b>	
<b>TOTAL EXPENSE INCLUDING DEPRECIATION</b>	<b>3,521,606</b>	<b>3,423,194</b>	<b>323,263</b>	<b>3,746,457</b>	
<b>Net Revenue Plus Princ Pmts Minus Depr.</b>	<b>-851,602</b>	<b>-686,262</b>	<b>50,008</b>	<b>-636,254</b>	

(NOTE: See separate Schedules & assumptions for Sandy Valley)

## Public Service Commission Data Request

ITEM 19 (a) and (b): Detailed Income Statement for Southern District and Sandy Valley; Compliance with Bond requirements:

### NOTES TO FINANCIAL ANALYSES:

### BUDGET PROJECTIONS FOR SOUTHERN WATER & SEWER DISTRICT:

- (A) Water Sales: Refer to separate spreadsheet calculating projected 2007 water sales.
- (B) Sewer Sales: Refer to separate spreadsheet illustrating actual sewer sales in 2006 and 2007 projections (5% increase over 2006).
- (C) Service Fees: Based on actual fees generated in 2006; 2007 projected as a percentage of total water sales.
- (D) Management Fee: 2006 included payments for 2 months in 2006; there will be no management fees in 2007.
- (E) Operations Expenses: See separate schedule of operations expenses.
- (F) Commissioners Fees: Based on \$500/month for five commissioners.
- (G) Sales Tax: Based on percentage of total sales.
- (H) All Interest, principal, and reserve payments based on amortization schedules provided by various funding agencies, all of whom the District is currently in compliance with.
- (I) Floyd County Bond Issue: Floyd County Fiscal Court issued approximately \$2.4 million in bonds two years ago to assist with various expansions of Southern Water's service area. Subsequently, the county judge-executive requested that Southern Water assist the County with repayment of those bonds. Southern Water's commissioners agreed to pay the fiscal court \$100,000 per year to assist the county with repayment of those bonds.
- (J) Depreciation Expense: Based on actual depreciation and amortization expense for 2005.

**SWSD REVENUE PROJECTIONS: 2006 ACTUAL / 2007 PROJECTED**

**REVENUE PROJECTIONS:**

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT (Est)	NOV(Est)	DEC(Est)	TOTAL YEAR
Actual Water \$ Sales by month 2006	\$226,426	\$179,104	\$201,295	\$201,381	\$183,478	\$214,221	\$215,088	\$203,106	\$217,032	\$212,483	\$197,184	\$210,783	\$2,461,582
Actual Water Revenues Collected 2006	\$197,516	\$194,834	\$178,553	\$179,851	\$191,974	\$175,554	\$187,391	\$215,661	\$184,523	\$196,837	\$182,664	\$195,262	\$2,280,320
Total gal sold by month (1,000 gal)	33,905	24,432	28,858	29,172	24,600	30,197	31,724	29,107	31,919	31,250	29,000	31,000	355,104
Number of water customers 2006	6,172	6,168	6,160	6,186	6,203	6,244	6,253	6,268	6,287	6,290	6,295	6,300	
Average gal per customer by month	5.5	4.0	4.7	4.7	4.0	4.8	5.1	4.6	5.1	5.0	4.6	4.9	
Average revenue per customer 2006	\$36.69	\$29.04	\$32.68	\$32.55	\$29.58	\$34.31	\$34.40	\$32.40	\$34.52	\$33.78	\$31.32	\$33.46	
Average revenue per 1,000 gal sold	\$6.68	\$7.33	\$6.98	\$6.90	\$7.46	\$7.11	\$6.78	\$6.98	\$6.80	\$6.80	\$6.80	\$6.80	
<b>2007 PROJECTIONS</b>													
Projected customers by month 2007	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	
Projected gallons sold per month 2007	34,883	25,153	29,748	29,945	25,183	30,649	32,216	29,488	32,239	31,548	29,253	31,246	361,551
Proj rev based on customers	\$232,956	\$184,389	\$207,504	\$206,720	\$187,826	\$217,858	\$218,425	\$205,763	\$219,207	\$214,510	\$198,907	\$212,456	2,508,520
Proj revenue less 7.5% uncoll.	\$215,484	\$170,560	\$191,941	\$191,216	\$173,739	\$201,518	\$202,043	\$190,331	\$202,766	\$198,422	\$183,989	\$196,522	\$2,318,531
<b>SEWER SALES: 2006 (Collections)</b>	\$5,191	\$6,550	\$5,103	\$5,214	\$5,634	\$5,259	\$4,928	\$6,656	\$5,547	\$5,500	\$5,500	\$6,200	\$87,282
Projected: 2007 (5% increase over 2006)	\$5,451	\$6,878	\$5,358	\$5,475	\$5,916	\$5,522	\$5,174	\$6,989	\$5,824	\$5,775	\$5,775	\$6,510	\$70,646

SWSD OPERATIONS EXPENSE DETAIL	2006 YTD Aug-06	Projected Sept-Dec 06	Proj Total 2006	2007 BUDG O&M SWSD	NOTES	2007 BUDG SANDY VALLEY
SALARIES & WAGES (INCL OT)	\$312,644	\$208,429	\$521,073	\$558,501	(A)	\$80,336
FRINGE BENEFITS:						
P/R Taxes (FICA/Unemployment)	\$22,292	\$16,987	\$39,279	\$45,518	(B)	\$6,829
Health Insurance	\$42,398	\$31,308	\$73,706	\$93,924	(C)	\$29,340
Dental Insurance	\$3,854	\$2,460	\$6,314	\$7,381	(C)	
Other Insurance (Life/Disability)	\$2,725	\$920	\$3,645	\$2,765	(C)	
Retirement Plan	\$0	\$3,000	\$3,000	\$10,800	(D)	
Employee Relations				\$0		
Regulatory Training	\$1,021	\$200	\$1,221	\$1,600	(E)	
Subtotal Fringe Benefits	\$72,290	\$54,875	\$127,165	\$161,988		
Subtotal S&W & Benefits	\$384,934	\$263,305	\$648,239	\$720,488		
COMMISSIONERS FEES	\$6,000					
TRAVEL (Comm/Empl)	\$0	\$1,200	\$1,200	\$1,500	(F)	
VEHICLE EXPENSE:						
Lease Costs:	\$7,295	\$15,704	\$22,999	\$47,118	(G)	
Maintenance:	\$5,547	\$3,698	\$9,245	\$15,000	(H)	
Gasoline/Diesel	\$23,096	\$19,040	\$42,136	\$52,800	(I)	
Other Vehicle Exp	\$0	\$0	\$0	\$0		
Subtotal Vehicle Expense:	\$35,938	\$38,442	\$74,380	\$114,918		\$15,000
OFFICE SUPPLIES / EQUIPMENT:	\$7,725	\$1,400	\$9,125	\$7,200	(J)	\$9,310
BILLING SERVICES	\$0	\$15,336	\$15,336	\$46,008	(K)	
POSTAGE/DELIVERY:	\$17,511	\$320	\$17,831	\$900	(L)	
PROMOTIONAL/ADVERTISING	\$1,016	\$0	\$1,016	\$1,200		
DUES/SUBSCRIPTIONS:	\$1,303	\$0	\$1,303	\$1,500		
BUSINESS INSURANCE:						
General Liability/Property	\$24,063	\$16,441	\$40,504	\$42,529	(M)	\$2,500
Workmans Comp:	\$10,691	\$10,690	\$21,381	\$22,450	(M)	\$3,044
Bonds (Commissioners)	\$711	\$0	\$711	\$750		
Subtotal Business Insurance:	\$35,465	\$27,131	\$62,596	\$65,729		
TELEPHONE:	\$7,342	\$4,356	\$11,698	\$13,068		
OUTSIDE SERVICES:						
Grass Cutting:	\$3,750	\$1,000	\$4,750	\$5,000	(N)	
Uniforms	\$4,078	\$2,070	\$6,148	\$5,980	(O)	
Equipment Rental:	\$3,700	\$4,000	\$7,700	\$11,600	(P)	
Subtotal Outside Services:	\$11,528	\$7,070	\$18,598	\$22,580		
LABORATORY:						
Lab Supplies:	\$0	\$1,000	\$1,000	\$1,500	(Q)	
Contract Lab Services: McCoy/McC	\$4,359	\$6,000	\$10,359	\$18,000	(R)	
Contract Lab Services: ASA	\$5,742	\$2,000	\$7,742	\$5,400	(R)	
Health/Safety Supplies:	\$296	\$1,500	\$1,796	\$2,500	(S)	
Subtotal Laboratory Expenses:	\$10,397	\$10,500	\$20,897	\$27,400		
CHEMICALS:						
WTP Chemicals	\$42,192	\$28,128	\$70,320	\$69,542	(T)	
WWTP Chemicals	\$1,104	\$736	\$1,840	\$2,208	(T)	
Subtotal Chemical Expense:	\$43,296	\$28,864	\$72,160	\$71,750		
OTHER EXPENSES						
SLUDGE HAULING:	\$0	\$0	\$0	\$1,200	(U)	
LAND TOOLS:	\$0	\$500	\$500	\$2,000	(V)	
ELECTRICITY (Office)	\$0			\$1,800	(W)	
NATURAL GAS (Office/plant)	\$1,478	\$2,000	\$3,478	\$6,000	(W)	
WASTE	\$251	\$720	\$971	\$2,220	(X)	
LICENSES	\$0	\$0	\$0	\$0		
PHYSICAL EXAMS	\$433	\$250	\$683	\$750		
MEETINGS	\$0	\$0	\$0	\$0		
TRAVEL (Office)	\$13,369	\$8,000	\$21,369	\$24,000	(Y)	
LEGAL	\$1,707	\$400	\$2,107	\$2,000		\$1,500
ACCOUNTING	\$18,950		\$18,950	\$18,950	(Z)	
RISK ASSESSMENT	\$3,478	\$0	\$3,478	\$3,600		\$871
RISK EXPENSES	\$4,560	\$400	\$4,960	\$5,000		\$500
SUBTOTAL OTHER EXPENSES	\$44,226	\$12,270	\$56,496	\$67,520		
SUBTOTAL	\$606,681	\$410,194	\$1,010,875	\$1,161,761		
PURCHASED WATER	\$134,886	\$47,320	\$182,206	\$162,240	(AA)	\$115,254
ELECTRIC-Water	\$134,379	\$67,190	\$201,569	\$201,569	(BB)	\$1,200
ELECTRIC-Sewer	\$11,569	\$5,785	\$17,354	\$17,354	(CC)	
REPAIR & MAINTENANCE-Water	\$130,296	\$20,000	\$150,296	\$155,000	(DD)	\$20,000
REPAIR & MAINTENANCE-Sewer	\$1,278	\$750	\$2,028	\$3,000	(EE)	
O&M CONTRACT FEE (VEOLIA)	\$241,259	\$0	\$241,259	\$0		
TOTAL O&M EXPENSE	\$1,260,348	\$551,238	\$1,805,586	\$1,680,570		\$285,684

Office as well as  
some of these

**SOUTHERN WATER OPERATIONS EXPENSE DETAIL SPREADSHEET – EXPLANATORY NOTES:**

- (A) Salaries & Wages: See separate spreadsheet analysis attached.
- (B) P/R Taxes: Based on 7.65% of budgeted S&W for FICA and .05% for Unemployment.
- (C) Health Insurance / Dental Insurance / Other Insurance: Based on actual premium rates for each employee.
- (D) Retirement Plan: Based on estimated District cost, pursuant to retirement just adopted by the Commissioners.
- (E) Regulatory Training: Based on historical cost, and assuming there will be an increase in number of employees pursuing certification in 2007.
- (F) Travel: Travel primarily for commissioners (PSC training) and a minimal amount of staff travel.
- (G) Vehicle Lease Costs: Based on actual amount of lease/vehicle payments (\$3,926 per month)
- (H) Vehicle Maintenance: Based on historical costs and assuming maintenance costs will increase, as all District vehicles will be a year older in 2007.
- (I) Gasoline & Diesel: Based on historical costs, but assuming gas/diesel prices will increase in 2007. Budgeted at \$4,400 per month.
- (J) Office supplies & equipment: During 2006, the District made a decision to contract out its billing services. Consequently, during the first half of 2006, internal office supplies (and postage) were significantly higher than they will be in 2007. Estimated expense for internal office supplies, copier machine maintenance, printer supplies etc is \$600/month for 2007
- (K) Billing Services: As indicated above, during 2006 billing services were contracted out (to Statement Rendering Solutions). For 2007, billing services are budgeted at \$.54 per individual billing (including postage) for an estimated 7,100 bills per month.
- (L) Postage: Estimated at \$75/month for 2007
- (M) Liability, Property & Workmans Comp Insurance: Based on actual premiums for 2006, with a projected increase of 5% for 2007.
- (N) Grass cutting: Based on estimated contracted service for keeping grass & weeds mowed at the WTP and Tank Sites.
- (O) Uniforms: Based on current pricing of \$115/week for uniform rental (Aramark).
- (P) Equipment Rental: Based on \$800/month for mini-excavator rental (used every day) and an additional \$2,000 for supplemental equipment rental throughout year.
- (Q) Lab Supplies: Based on assumption that in addition to lab supplies to be purchased in 2006, an additional 50% increase will be needed in 2007.
- (R) Contract Lab Services: Based on analysis of actual external lab costs for both WTP, WWTP, and distribution.
- (S) Health & Safety Supplies: Primarily safety boots, safety glasses, cones, and signs utilized in distribution system operations.
- (T) Chemicals: Based on analysis of projected chemical consumption and pricing (from CI Thornburg) for 2007.
- (U) Sludge Hauling: Although the WWTP is new and there has not been enough sludge to warrant hauling sludge from the plant to a landfill in current year, we anticipated that there will be a need to haul sludge in 2007.
- (V) Hand Tools: Anticipated that we will need to replace several hand tools in 2007 (drills, saws, socket wrenches, etc.)
- (W) Electricity (Office & Plant): Electricity expense for McDowell office, as well as natural gas expense for office and the WTP are included in this item. Some of these

expenses were misclassified in 2006. 2007 expense based on analysis of actual electric and gas expenses (excluding electric costs associated with actual operation of pumps and motors at WTP).

- (X) Garbage: Solid waste pickup expense for McDowell office and WTP (\$185 per month for both locations for dumpster rental & pickup).
- (Y) Rent: Actual rent charge for McDowell office building (\$2,000 per month).
- (Z) Accounting: Based on actual fees assessed by independent accounting firm for annual audit, PSC report preparation, and accounting assistance throughout year.
- (AA) Purchased Water: The amount of water purchased from Pikeville has been reduced in the last several months. 2007 budget is based on purchasing an average of 8,000,000 gallons per month at the rate of \$1.69 per thousand.
- (BB) Electric - Water: The cost of electricity purchased for plant operation and all pump stations. Based on an average of \$16,797 per month.
- (CC) Electric - Sewer: The cost of electricity purchased for WWTP operation and 4 lift stations. Based on an average of \$1,446 per month.
- (DD) Repair & Maintenance - Water: The cost of all parts, supplies, contract costs, etc. for maintenance of the WTP and distribution system, including all pumping stations, PRV's, tanks, etc.
- (EE) Repair & Maintenance - Sewer: The cost of all parts, supplies, contract costs, etc. for maintenance of the WWTP, 4 lift stations, and 45 grinder pumps.



**SANDY VALLEY WATER DISTRICT / BUDGET PROJECTION - FLOYD**  
**NOTES TO BUDGET PROJECTIONS (FLOYD)**

(A) Metered Water Sales	2005 Rev per SV	756,253	
Floyd portion sales (Per Schedule)		322,653	
(B) Service Revenues			
Total Svc Rev 2005 Per SV	30,323		
% Sales 2005 Floyd	43.0%		
Projected Svc Revenues Floyd		13038.89	
(C) Salaries: Employees:			
1 Exist Field SV @ \$12.30/hr		25,584	
1 Exist Field SV @ \$12.30/hr		25,584	
1 Office Empl @ \$26,610/yr		26,610	
OT Field Pers. @ 5%		2,558	
Total S&W		80,336	
(D) Benefits (Med Insur)			
3 Employees (Family Plan)	Net Cost/Mon	815	
3 Employ for 12 months		29,340	
(E) Purchased Water:			
Total Gallons Purchased 2005 per SV		231,801,000	
Minus Total Gal sold to Mtn Water per SV		-21,217,200	
Total Gal for Pike/Floyd less Mtn Water		210,583,800	
% Water Sold to Floyd Customers 2005		41.0%	
Total Water purchased for Floyd Customers 2005		86,339,358	
Projected Water to be purchased from Prestonsb.		36,000,000	
Cost of Water purch from Pburg @ \$2.36/1,000		84,960	
Projected Water to be purchased from Pikeville		50,339,358	
Cost of Water purch from Pville @ \$1.69/1,000		85,073	
Total Cost for projected Water Purchased:		170,033	
(F) WC Insurance	Projected S/W Rate	80,336	
		3.8%	
Projected WC Cost		3,044	
(G) Office Expense:			
# Customers	1135		
Monthly cost postage/bill supp	0.5		
Annual postage/billing exp		6,810	
Additional Office Supplies		2,500	
Total Office Expenses		9,310	
(H) PSC Assess based on 50% 2005 Cost		871	
(I) Payroll Taxes			
Estimated Gross P/R	80,336		
Est P/R tax exp @ 8.5%	6,829	6,829	
(J) Debt Svc RD Loan:			
Total Current annual RD D/S prmts per SV		87,392	
Floyd portion @ 43%		37,579	
(K) EDA Debt Service			
\$0 Annual cost assuming Pikeville pays off current EDA debt of \$53,469			
(L) Alternative Calculation of Water Costs:			
Assumptions:			
a. SWSD provides 100,000 gpd to Sandy Valley cust.			
b. Balance of SV water needed purch from Pikeville			
c. Pburg used only as emergency backup			
Total Annual Gal needed:	86,339,358		
GPD from Southern Water:	100,000		
Total Annual Gal from Southern	36,500,000		
Production costs/SWSD	\$0.85		
Annual cost / SWSD water	31,025		
Total gal/yr from Pikeville	49,839,358		
Cost/1,000 from Pikeville:	\$1.69		
Annual cost/Pikeville	84,229		
Total cost per year for water:	115,254	115,254	