

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF FARMDALE UTILITIES, )  
INC., FOR AUTHORITY TO ACQUIRE THE )  
STOCK AND TO OPERATE THE SEWAGE ) CASE NO. 8458  
TREATMENT PLANT OWNED BY PROMO- )  
TIONAL INDUSTRIES, INC., IN JEF- )  
FERSON COUNTY, KENTUCKY )

O R D E R

IT IS ORDERED that Farmdale Utilities, Inc., shall file an original and six copies of the following information with the Commission by March 30, 1982:

1. An income statement and balance sheet for Promotional Industries, Inc., dated within 90 days of the application. If said financial exhibits reflect accounting transactions relevant to the purchase agreement, provide an additional balance sheet dated prior to the inclusion of such accounting transactions.

2. An income statement and balance sheet for Farmdale Utilities, Inc., dated within 90 days of the application.

3. Beginning with applicable responses to items 1 and 2, provide the proposed journal entries to consummate the purchase agreement reflecting all entries necessary to close and open the respective books of record to achieve the response to item 4.

4. An estimated pro forma balance sheet subsequent to the consummation of the purchase agreement.

5. A narrative in such detail as to describe the form of business combination (merger) proposed, the method of arranging said business combination and the method of accounting for said business combination. What other methods were considered? Is this method in accordance with generally accepted accounting principles? Why was the particular method chosen? What are the advantages or disadvantages to a) the customers b) the shareholders?

6. Has all plant in service constructed from contributions in aid of construction been properly recorded on the books of record of Promotional Industries Inc.? If not provide an explanation and the original or estimated original costs of plant in service not recorded on the books.

7. Section 4 of the application gives the purchase price as \$90,000 represented by a note and mortgage executed by Farmdale Utilities, Inc., in favor of the Liberty National Bank and Trust Company in the amount of \$60,000 and the balance of \$30,000 in cash. However, Section 2 of the Purchase Agreement provides for the Option of the Buyer paying cash with the Seller paying in full its first mortgage obligation or paying cash for the difference between the purchase price and current outstanding debt and assuming of said debt by Buyer. Provide the terms the Option chosen, i.e., principal amount, rate of interest, term, method secured and installment amount. If Option has not been chosen at present time, provide requested information for each Option.

8. What will be the source of the \$30,000 in cash? What accounting entries will be recorded on the books of record to reflect this cash?

9. Provide copies of any loan agreement of Promotional Industries, Inc., outstanding at the time that the Purchase Agreement was entered.

10. Section 1 of the Purchase Agreement states that Seller has the option of conveying stock or assets to the Buyer. With respect to this option, describe the advantages or disadvantages to both the Seller and Buyer for each option with respect to utility accounting, federal and state taxes, etc.

Done at Frankfort, Kentucky, this 15th day of March, 1982.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary