

**EAST KENTUCKY UTILITIES, INC.**

**PO BOX 408 PRESTONSBURG KY 41653**

**606-886-2431 fax 606-889-9196**

12 / 17 / 2004

**Ms. Beth O'Donnell  
Executive Director  
211 SOWER BLVD.  
P.O. BOX 615  
FRANKFORT KY 40601**

RECEIVED

DEC 20 2004

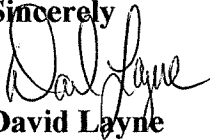
PUBLIC SERVICE  
COMMISSION

**Dear Ms. O'Donnell**

2004-00510

Pursuant to KRS 278.300, East Kentucky Utilities, Inc. ("EKU") respectfully submits this original application and ten copies for approval of long-term financing through the Commonwealth of Kentucky Infrastructure Authority's ("KIA") Gas System Restoration Board ("GSRB"). For reasons set forth in this application we are requested an expedited approval from the PSC. If you have any questions or comments please give me a call at the office numbers listed above or call my cell phone at 606-226-1220. The board and I want to thank you for your cooperation pertaining to the debt consolidation plan set forth in this application for EKU.

Sincerely



**David Layne**  
Chairman of the Board  
Sec. / Treasurer  
General Manager

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE APPLICATION OF EAST KENTUCKY UTILITIES, )  
INC. FOR APPROVAL OF LONG-TERM FINANCING )  
THROUGH THE KENTUCKY INFRASTRUCTURE )  
AUTHORITY FOR THE PURPOSE OF CONSOLIDATING )  
OUTSTANDING DEBT ASSOCIATED WITH )  
VARIOUS CREDITORS )

CASE NO. *2004-00510*

**APPLICATION**

Pursuant to KRS 278.300, East Kentucky Utilities, Inc. ("EKU") respectfully submits this application for approval of long-term financing through the Commonwealth of Kentucky Infrastructure Authority's ("KIA") Gas System Restoration Board ("GSRB") in the amount of \$550,000.00. The proceeds will be used to pay off various creditors, including paying off an existing GSRB loan of \$232,769.60. EKU submits this original application and 10 copies with this filing.

- 1.) EKU is a natural gas distribution company operating in Floyd County, Kentucky, providing natural gas service to approximately 1,080 customers.
- 2.) EKU post office address in PO BOX 408, Prestonsburg, Kentucky 41653  
With our physical address being 320 S. Central Ave. Suite 102, Prestonsburg, KY 41653
- 3.) A certified copy of EKU Articles of Incorporation was filed with the Commission in Case No. 1998-00280.
- 4.) As of January 1, 2004, EKU had 34 miles of distribution lines in Floyd County and owns additional facilities necessary to support its distribution system. The book value of EKU utility plant and its long- and short-term assets as of January 1, 2004 was \$671,890.00. EKU long-term debt as of January 1, 2004 was \$617,079.00. It had accounts and notes payable as of January 1, 2004 in the amount of \$308,438.00.
- 5.) EKU seeks to obtain long-term financing and consolidate outstanding debt through the GSRB financing program in the amount of \$550,000.00. This is desperately needed to become current on obligations with the GSRB Loan, Toyota Motor Credit, Citizens National Bank, Floyd County Fiscal Court and First Guaranty Bank. The proposed financing will be for a term of 30 years and bear a fixed interest rate of 4%. It is estimated that the consolidated financing will save \$ 2,000.00 annually compared to the annual cost the debt EKU proposes to consolidate. In addition, by deferring the payments and consolidating the loans it will improve EKU cash flow basis

by an estimated \$48,000.00 annually. KIA will have, as security for the loan, a lien on all of ECU assets and future earnings. A copy of the KIA loan commitment letter is included as Attachment A to this application.

- 6.) In its October 12, 2004 Order in Case No.2004-00276, the Commission approved \$189,265.00 out of a prior ECU request for financing through KIA's GSRB financing program in the amount of \$245,891.00. However, ECU withdrew the loan request it had pending with KIA and entered into an agreement with the Floyd County Fiscal Court to meet its then-current obligations. With this application, ECU is requesting that the Commission revoke the financing authorization granted in Case No.2004-00276 and approved the consolidation financing request being proposed herein.
- 7.) A Schedule of the amounts owed its creditors, supporting invoices, and the terms, rates and conditions of these existing obligations are included in Attachment B to this application.
- 8.) A narrative description of the circumstances that caused ECU to fall behind in meeting its obligations to the point that it makes this request for approval of financing to become current on its obligations is included as Attachment C to this application.
- 9.) ECU is not seeking authorization to issue any kind of stock as part of this application. ECU has no trust deeds or mortgages.
- 10.) ECU proposes to use its financial exhibit, required by 807 KAR 5:001, section 11(2)(a), its 2003 annual report filed with the Commission. Due to its size, the fact that it prepares financial statements only once a year, and the cost associated with preparing additional financial statements, ECU requests a deviation from the requirement that the financial exhibit cover a period ended not more than 90 days prior to filing its application.
- 11.) As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2)(c), is not applicable.


**WHEREFORE**, ECU requests that the Commission issue an Order that (1) grants a deviation from the requirement of 807 KAR 5:001, Section 11(2)(a) that a financial exhibit cover a period ended not more than 90 days to the filing of this application and (2) authorizes its requested financing of \$550,000.00 through a long-term loan from the KIA Board, as described herein, (3) an emergency exists so we are requesting that the commission expedite their ruling as soon as possible, and (4) for any other relief to which it may be entitled.


**DATED** at Prestonsburg, Kentucky, this 16<sup>th</sup> day of December, 2004.


**COMMONWEALTH OF KENTUCKY  
COUNTY OF FLOYD**

Seldon Horne- President, Edgar Rister – Vice President and David Layne Sec/Treasurer after first being duly sworn, deposes and state: That they are the elected officials of East Kentucky Utilities, Inc., a gas distribution company; that they are duly designated by the Applicant to sign this Application; that they have read the foregoing Application and know the content thereof; and that the same is true of their knowledge, except as to such matters as are therein stated on information or belief, and as to those matters they believe are to be true.


The 16<sup>th</sup> day of December, 2004.

  
\_\_\_\_\_  
Seldon Horne, President of ECU

  
\_\_\_\_\_  
Edgar Rister, Vice President of ECU

  
\_\_\_\_\_  
David Layne, Sec/Treasurer of ECU

Subscribed and sworn to me before by the following officers of ECU, this the 16<sup>th</sup> day of December, 2004.

  
\_\_\_\_\_  
Notary Public, KY State At Large

My commission expires: 9-19-05

## **APPENDIX A**

Commitment Letter from the Department of Local Government

**Kentucky Infrastructure Authority**

375 Versailles Road  
Frankfort, Kentucky 40601-3646  
502-573-0260 • 502-573-0157 fax  
<http://wris.state.ky.us/kiia/>

December 15, 2004

Mr. David Layne, General Manager  
East Kentucky Utilities, Inc.  
P.O. Box 408  
Prestonsburg, Kentucky 41653

Dear Mr. Layne:


This is to acknowledge receipt in the form of a December 8 letter from yourself, of an amended loan request from East Kentucky Utilities for \$550,000 in Gas System Restoration and Development (GSRP) funds. The amount of funds requested is currently available. On the basis of the information submitted, the request appears eligible under general program guidelines and is accepted for consideration by the Loan Review Board subject to the following conditions.

- a. The Board cannot consider a loan unless the applicant has complied with all construction and securities requirements of the Public Service Commission. A summary of those requirements is attached. If you have not already done so, you should contact the PSC as soon as possible to begin this process.
- b. GSRP loans are made at an interest rate tied to the federal prime lending rate at the time the loan is approved. The current GSRP rate would be 4.0%. However, the federal prime rate, and therefore the GSRP rate, may change before the Loan Review Board considers your loan.
- c. The application must be completed with the standard GSRP form (enclosed); notice of PSC approval; and any additional information that may subsequently be requested to facilitate staff or Board review.

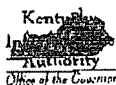
When the complete application is filed, it will receive a preliminary review and be placed on the agenda of the Loan Review Board. You will be notified of the meeting and asked to present your request to the Board.

Please contact me if any further information is needed.

Sincerely,

  
Suzanne Johnson-Anderson  
Program Manager

Enclosures



An Equal Opportunity Employer M/F/D

# Amortization Table

AMORTIZE correct.xls

A simple amortization table covering 30 payment periods of a loan.

- 1) To use the table, simply change any of the values in the "initial data" area of the worksheet.
- 2) To print the table, just choose "Print" from the "File" menu. The print area is already defined

## Initial Data

| LOAN DATA               |              | TABLE DATA   |            |
|-------------------------|--------------|--|------------|
| Loan amount:            | \$550,000.00 | Table starts at date:  |            |
| Annual interest rate:   | 4.000%       | or at payment number:  | 1          |
| Term in years:          | 30           | East Kentucky Utilities  |            |
| Payments per year:      | 12           |  |            |
| First payment due:      | July 1, 2005 |  |            |
| PERIODIC PAYMENT        |              | <i>The table uses the calculated periodic payment amount unless you enter a value for "Entered payment".</i> |            |
| Entered payment:        |              |  |            |
| Calculated payment:     | \$2,625.78   |  |            |
| CALCULATIONS            |              |  |            |
| Use payment of:         | \$2,625.78   | Beginning balance at payment 1:  | 550,000.00 |
| 1st payment in table: 1 |              | Cumulative interest prior to payment 1:  | 0.00       |

## Table

| No. | Payment Date | Beginning Balance | Interest | Principal | Ending Balance | Cumulative Interest |
|-----|--------------|-------------------|----------|-----------|----------------|---------------------|
| 1   | 7/1/2005     | 550,000.00        | 1,833.33 | 792.45    | 549,207.55     | 1,833.33            |
| 2   | 8/1/2005     | 549,207.55        | 1,830.69 | 795.09    | 548,412.46     | 3,664.03            |
| 3   | 9/1/2005     | 548,412.46        | 1,828.04 | 797.74    | 547,614.71     | 5,492.07            |
| 4   | 10/1/2005    | 547,614.71        | 1,825.38 | 800.40    | 546,814.31     | 7,317.45            |
| 5   | 11/1/2005    | 546,814.31        | 1,822.71 | 803.07    | 546,011.24     | 9,140.16            |
| 6   | 12/1/2005    | 546,011.24        | 1,820.04 | 805.75    | 545,205.50     | 10,960.20           |
| 7   | 1/1/2006     | 545,205.50        | 1,817.35 | 808.43    | 544,397.06     | 12,777.55           |
| 8   | 2/1/2006     | 544,397.06        | 1,814.66 | 811.13    | 543,585.94     | 14,592.21           |
| 9   | 3/1/2006     | 543,585.94        | 1,811.95 | 813.83    | 542,772.11     | 16,404.16           |
| 10  | 4/1/2006     | 542,772.11        | 1,809.24 | 816.54    | 541,955.56     | 18,213.40           |
| 11  | 5/1/2006     | 541,955.56        | 1,806.52 | 819.27    | 541,136.30     | 20,019.92           |
| 12  | 6/1/2006     | 541,136.30        | 1,803.79 | 822.00    | 540,314.30     | 21,823.71           |
| 13  | 7/1/2006     | 540,314.30        | 1,801.05 | 824.74    | 539,489.56     | 23,624.76           |
| 14  | 8/1/2006     | 539,489.56        | 1,798.30 | 827.49    | 538,662.08     | 25,423.06           |
| 15  | 9/1/2006     | 538,662.08        | 1,795.54 | 830.24    | 537,831.83     | 27,218.60           |
| 16  | 10/1/2006    | 537,831.83        | 1,792.77 | 833.01    | 536,998.82     | 29,011.37           |
| 17  | 11/1/2006    | 536,998.82        | 1,790.00 | 835.79    | 536,163.03     | 30,801.36           |
| 18  | 12/1/2006    | 536,163.03        | 1,787.21 | 838.57    | 535,324.46     | 32,588.57           |
| 19  | 1/1/2007     | 535,324.46        | 1,784.41 | 841.37    | 534,483.09     | 34,372.99           |
| 20  | 2/1/2007     | 534,483.09        | 1,781.61 | 844.17    | 533,638.92     | 36,154.60           |
| 21  | 3/1/2007     | 533,638.92        | 1,778.80 | 846.99    | 532,791.93     | 37,933.40           |
| 22  | 4/1/2007     | 532,791.93        | 1,775.97 | 849.81    | 531,942.12     | 39,709.37           |
| 23  | 5/1/2007     | 531,942.12        | 1,773.14 | 852.64    | 531,089.47     | 41,482.51           |
| 24  | 6/1/2007     | 531,089.47        | 1,770.30 | 855.49    | 530,233.99     | 43,252.81           |
| 25  | 7/1/2007     | 530,233.99        | 1,767.45 | 858.34    | 529,375.65     | 45,020.25           |
| 26  | 8/1/2007     | 529,375.65        | 1,764.59 | 861.20    | 528,514.45     | 46,784.84           |
| 27  | 9/1/2007     | 528,514.45        | 1,761.71 | 864.07    | 527,650.38     | 48,546.55           |
| 28  | 10/1/2007    | 527,650.38        | 1,758.83 | 866.95    | 526,783.43     | 50,305.39           |
| 29  | 11/1/2007    | 526,783.43        | 1,755.94 | 869.84    | 525,913.59     | 52,061.33           |
| 30  | 12/1/2007    | 525,913.59        | 1,753.05 | 872.74    | 525,040.86     | 53,814.38           |

## APPENDIX B

### Amounts Owed, Invoices and Explanations for Current Financial Condition

#### AMOUNTS OWED

##### Financial Rehabilitation

GSR&D Loan # 10

    KY Infrastructure Authority

    16 years @ 6.5%

\$ 232,770.00

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Toyota Financial Services

    Remaining Contract for 3 Service Trucks

    1 years @ 6.9%

\$ 13,007.00

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Citizens National Bank

    Bond Principal Reserve

    8 years @ 4.73%

\$ 51,100.00

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Floyd County Fiscal Court

    Equitable Resources & Bond (Principal)

    7 years @ 4%

\$ 178,323.00

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##### Equipment

(Excavator, Dump Truck & Trailer)

FIRST GUARANTY BANK

    5 years @ 6%

\$ 74,800.00

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#### TOTAL

\$ 550,000.00



## APPENDIX C

### EXPLANATION OF FINANCIAL CONDITION

It has been explained in the past, East Kentucky Utilities (EKU) financial problems began in the spring of 2003, when 3 floods were experienced. The expenses of the repairs associated with these floods put a strain on the company's already tight financial condition. In addition to the floods, Equitable Energy, LLC, the wholesale gas supplier for EKU notified EKU that it had been under-billed for the previous ten months of gas purchases. However it is the Board's opinion that the financial condition mentioned above was due in part to poor management of this system. EKU's largest mistake was not applying for a rate increase with the PSC in eight years.

Due to the recommendations of the Floyd County Fiscal Court, on October 31, 2004 the board of directors of EKU resigned their positions. John Allen, Jr. - President, Judy McCreary - Vice President and Michael Harris - Sec/Treasurer. A new board of directors has been appointed by the Court and new officers were elected as follows; Seldon Horne - President, Edgar Rister - Vice President and David Layne - Sec/Treasurer. David Layne serves as Chairman of the Board and has been appointed by the board to serve as General Manager of day to day operations.

There are several obligations, which EKU seeks to address with this financing request. First, the original GSRB loan through the Kentucky Infrastructure Authority has a balance of \$232,769.60 as of 12/31/04 and by consolidating the loan EKU can reduce the current interest rate. Second, EKU is obligated for the three service trucks financed through Toyota Motor Credit. The balances of these loans are \$13,007.00 and are personally guaranteed by John Allen, Jr., who no longer is affiliated with EKU. Third, EKU is required to maintain a reserve savings account with a minimum balance of \$51,100.00 by the Citizens National Bank and the bonding company Ross-Sinclair. Through last year's financial troubles John Allen, Jr. former President of EKU decided to withdraw these funds to pay necessary operating expenses. Fourth, the Fiscal Court basically bailed out EKU from having to file bankruptcy. The Court paid \$20,000.00 in March 2004 for a shortage on the required bond associated with EKU. On November 1, 2004 the Court paid an additional bill to Equitable Energy of \$158,323 so that 1,100 customers would not freeze to death. Finally, there is a promissory note owed to First Guaranty Bank of \$74,800.00 that pertains to Equipment (Excavator, Dump Truck & Trailer) which had been available under a lease arrangement, but has been recently purchased.

The Board is requesting authority from the PSC to consolidate all of the outstanding debt mentioned above into a new GSRB loan with the Kentucky Infrastructure Authority. All of the debt mentioned above was created by the previous board of directors however it is the present Board's responsibility to keep this company running so that we can supply natural gas to citizens of Floyd County. It is the boards understanding that the PSC Staff has been working on an increase for EKU since August, with EKU having supplied the final information needed by Staff on December 1, 2004. Hopefully, EKU we receive approval for this much needed rate increase in early 2005.

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#### **AMOUNTS OWED**

##### **Financial Rehabilitation**

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Remaining Contract for 3 Service Trucks

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\$ 12,607.00

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Bond Principal Reserve

8 years @ 4.73%

\$ 51,100.00

---

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Equitable Resources & Bond (Principal)

7 years @ 4%

\$ 178,323.00

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##### **Equipment**

(Excavator, Dump Truck & Trailer)

FIRST GUARANTY BANK

5 years @ 6%

\$ 74,800.00

---

##### **TOTAL**

\$ 550,000.00

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Ernie Fletcher  
Governor

LaJuana S. Wilcher  
Secretary

Commonwealth of Kentucky  
**Environmental and Public Protection Cabinet**  
**Public Service Commission**

211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
October 4, 2004

John Allen, Jr.  
East Kentucky Utilities, Inc.  
P. O. Box 408  
Prestonsburg, KY 41653

RE: Case No. 2004-00276  
East Kentucky Utilities, Inc.  
(Financing)  
Long-Term Financing Through Kentucky Infrastructure Authority for Purpose of Becoming  
Current with Various Creditors

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received October 1, 2004 and has been assigned Case No. 2004-00276. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact Jeff Shaw at (502) 564-3940 ext. 237.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/jc

KENTUCKY INFRASTRUCTURE AUTHORITY

375 Versailles Road  
Frankfort, Kentucky 40601  
Phone: 502-573-0260  
Fax: 502-573-0157  
<http://wris.ky.gov/kia/>

**FAX**

TO: David Lane

FROM: S Anderson

FAX #: 606-889-9196

DATE: 11/16/04

PAGES: 5 Including cover page

RE: \_\_\_\_\_

11/17/2004 15:05 FAX 502 573 0157

KY INFRA AUTH

001/012

COMMONWEALTH OF KENTUCKY  
KENTUCKY INFRASTRUCTURE AUTHORITY

FACSIMILE TRANSMITTAL SHEET

TO: David Lane FROM: Denise Pitts, CPA  
Fiscal Officer

ENTITY: East Ky Utilities DATE: 11/17/2004

FAX NUMBER: 606-889-9196 TOTAL NO. OF PAGES INCLUDING COVER: 12

RE: Amortization Schedule

- URGENT  FOR REVIEW  PLEASE COMMENT  PLEASE REPLY  PLEASE RECYCLE

NOTES/COMMENTS:

I also included a schedule of payments received to date.

County of Floyd, Kentucky and East Kentucky Utilities  
 Loan Repayment Schedule for a \$292,211.90 GSRP Loan  
 @ 6.5% Interest Compounded Annually  
 For 30 Years, Effective January 1, 1990

ledger.XLW

| EAST KENTUCKY UTILITIES |          |         | AMOUNT    |           | CREDITED TO: |           | TOTAL PAYMENTS |           |            |
|-------------------------|----------|---------|-----------|-----------|--------------|-----------|----------------|-----------|------------|
| PAYMEN                  | REC'D.   | CHECK # | DUE       | PAID      | INTEREST     | PRINCIPAL | INTEREST       | PRINCIPAL | COMBINED   |
| All previous            |          |         |           |           |              |           | 76,289.72      | 19,266.83 | 95,556.55  |
| 1995                    | 01/03/96 | 115663  | 22,378.35 | 22,378.35 | 17,742.08    | 4,636.27  | 94,031.80      | 23,903.10 | 117,934.90 |
| 1996                    | 01/06/97 | 117954  | 22,378.35 | 22,378.35 | 17,440.72    | 4,937.63  | 111,472.52     | 28,840.73 | 140,313.25 |
| 1997                    | 02/13/98 | 119992  | 22,378.35 | 22,378.35 | 17,119.76    | 5,258.59  | 128,592.28     | 34,099.32 | 162,691.60 |
| 1998                    | 01/11/99 | 122004  | 22,378.35 | 22,378.35 | 16,777.96    | 5,600.39  | 145,370.24     | 39,699.71 | 185,069.95 |
| 1999                    | 01/10/00 | 124211  | 22,378.35 | 22,378.35 | 16,413.96    | 5,964.39  | 161,784.20     | 45,664.10 | 207,448.30 |
| 2000                    | 01/16/01 | 126388  | 22,378.35 | 22,378.35 | 16,026.28    | 6,352.07  | 177,810.48     | 52,016.17 | 229,826.65 |
| 2001                    | 01/03/02 | 128749  | 22,378.35 | 22,378.35 | 15,613.36    | 6,764.99  | 193,423.84     | 58,781.16 | 252,205.00 |
| 2002                    | 01/07/03 | 130402  | 22,378.35 | 22,378.35 | 15,173.64    | 7,204.71  | 208,597.48     | 65,985.87 | 274,583.35 |
| 2003                    | 01/06/04 | 132586  | 22,378.35 | 22,378.35 | 14,705.32    | 7,673.03  | 223,302.80     | 73,658.90 | 296,961.70 |
| 2004                    |          |         | 22,378.35 |           |              | 0.00      | 223,302.80     | 73,658.90 | 296,961.70 |
| 2005                    |          |         | 22,378.35 |           |              | 0.00      | 223,302.80     | 73,658.90 | 296,961.70 |
| 2006                    |          |         | 22,378.35 |           |              | 0.00      | 223,302.80     | 73,658.90 | 296,961.70 |

|                            |            |
|----------------------------|------------|
| 147,013.08                 | 54,392.07  |
| Total Interest to Summary  | 223,302.80 |
| Total Principal to Summary | 73,658.90  |

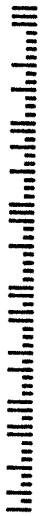
11/17/04  
PAYOFF

Principal \$ 218,563.00  
 14,206.60 - Dec 31st (Thur)  
 -----  
 232,769.60

11/17/2004 15:08 FAX 502 313 0101



AB 01 059411 86973 B 295 A  
 EAST KENTUCKY UTILITIES I  
 PO BOX 408  
 PRESTONSBURG KY 41653-0408



|                                 |             |                                 |             |                                 |             |
|---------------------------------|-------------|---------------------------------|-------------|---------------------------------|-------------|
| <b>Account Number</b>           | 017 6105960 | <b>Account Number</b>           | 017 6105961 | <b>Account Number</b>           | 017 6105962 |
| <b>Maturity Date</b>            | 11/14/2005  | <b>Maturity Date</b>            | 11/14/2005  | <b>Maturity Date</b>            | 11/14/2005  |
| <b>Payments Made</b>            | 20          | <b>Payments Made</b>            | 20          | <b>Payments Made</b>            | 20          |
| <b>Payments Remaining</b>       | 16          | <b>Payments Remaining</b>       | 16          | <b>Payments Remaining</b>       | 16          |
| <b>Standard Monthly Payment</b> | \$465.16    | <b>Standard Monthly Payment</b> | \$465.16    | <b>Standard Monthly Payment</b> | \$465.16    |
| <b>Last Payment Received</b>    | 7/09/2004   | <b>Last Payment Received</b>    | 7/09/2004   | <b>Last Payment Received</b>    | 7/09/2004   |
| <b>Summary of Charges</b>       |             | <b>Summary of Charges</b>       |             | <b>Summary of Charges</b>       |             |
| <b>Statement Date</b>           | 7/29/2004   | <b>Statement Date</b>           | 7/29/2004   | <b>Statement Date</b>           | 7/29/2004   |
| <b>Payment Due Date</b>         | 8/14/2004   | <b>Payment Due Date</b>         | 8/14/2004   | <b>Payment Due Date</b>         | 8/14/2004   |
| <b>Current Payment Due</b>      | \$465.16    | <b>Current Payment Due</b>      | \$465.16    | <b>Current Payment Due</b>      | \$465.16    |
| <b>Delinquent Payment</b>       | \$0.00      | <b>Delinquent Payment</b>       | \$0.00      | <b>Delinquent Payment</b>       | \$0.00      |
| <b>Late Charges</b>             | \$0.00      | <b>Late Charges</b>             | \$0.00      | <b>Late Charges</b>             | \$0.00      |
| <b>Miscellaneous Charges</b>    | \$0.00      | <b>Miscellaneous Charges</b>    | \$0.00      | <b>Miscellaneous Charges</b>    | \$0.00      |
| <b>Total Amount Due</b>         | \$465.16    | <b>Total Amount Due</b>         | \$465.16    | <b>Total Amount Due</b>         | \$465.16    |

# Memo

**To:** David Layne  
**From:** Julie Petersen  
**Date:** November 10, 2004  
**Subject:** Floyd County Gas System Bond Payoff

Attached is a debt service and call report for the Gas System portion of the 1999 Refunding Bonds (the "Bonds"). The Bonds are callable (pre-payable) after September 1, 2009, however, we could purchase an escrow to make the payments on the bonds until the call date of September 1, 2009. The attached schedule shows the total due to pay off the gas portion of the Bonds. I have also written in the amount that could be deposited to an escrow account to pay off the Bonds on September 1, 2009. At the time the escrow account is funded, the gas system portion of the Bonds will be considered decessed and no longer an obligation of the County. The amount of the deposit could vary slightly due to changes in investment rates available in the market. We can finalize this amount as soon as a payoff date is established.

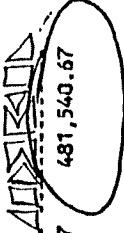
Please feel free to contact me at 1-800-255-0795 if you have any questions or need additional information. Thank you.



FLOYD COUNTY GO BONDS  
GAS SYSTEM PORTION OF 1999 REFUNDING BONDS

Debt Service and Call Report

| Date   | Original Principal | Coupon   | Original Interest | Original Debt Service | Principal To Escrow | Call Premium | Interest To Escrow | Debt Service To Escrow |
|--------|--------------------|----------|-------------------|-----------------------|---------------------|--------------|--------------------|------------------------|
| 3/1/5  | 40,000.00          | 4.350000 | 8,973.13          | 48,973.13             | 40,000.00           |              | 8,973.13           | 48,973.13              |
| 9/1/5  |                    |          | 8,103.13          | 8,103.13              |                     |              | 8,103.13           | 8,103.13               |
| 3/1/6  | 40,000.00          | 4.350000 | 8,103.13          | 48,103.13             | 40,000.00           |              | 8,103.13           | 48,103.13              |
| 9/1/6  |                    |          | 7,233.13          | 7,233.13              |                     |              | 7,233.13           | 7,233.13               |
| 3/1/7  | 40,000.00          | 4.350000 | 7,233.13          | 47,233.13             | 40,000.00           |              | 7,233.13           | 47,233.13              |
| 9/1/7  |                    |          | 6,363.13          | 6,363.13              |                     |              | 6,363.13           | 6,363.13               |
| 3/1/8  | 45,000.00          | 4.350000 | 6,363.13          | 51,363.13             | 45,000.00           |              | 6,363.13           | 51,363.13              |
| 9/1/8  |                    |          | 5,384.38          | 5,384.38              |                     |              | 5,384.38           | 5,384.38               |
| 3/1/9  | 45,000.00          | 4.375000 | 5,384.38          | 50,384.38             | 45,000.00           |              | 5,384.38           | 50,384.38              |
| 9/1/9  |                    |          | 4,400.00          | 4,400.00              |                     | 4,000.00     | 4,400.00           | 208,400.00             |
| 3/1/10 | 50,000.00          | 4.400000 | 4,400.00          | 54,400.00             | 200,000.00          |              |                    |                        |
| 9/1/10 |                    |          | 3,300.00          | 3,300.00              |                     |              |                    |                        |
| 3/1/11 | 50,000.00          | 4.400000 | 3,300.00          | 53,300.00             |                     |              |                    |                        |
| 9/1/11 |                    |          | 2,200.00          | 2,200.00              |                     |              |                    |                        |
| 3/1/12 | 50,000.00          | 4.400000 | 2,200.00          | 52,200.00             |                     |              |                    |                        |
| 9/1/12 |                    |          | 1,100.00          | 1,100.00              |                     |              |                    |                        |
| 3/1/13 | 50,000.00          | 4.400000 | 1,100.00          | 51,100.00             |                     |              |                    |                        |
|        | 410,000.00         |          | 85,140.63         | 495,140.63            | 410,000.00          | 4,000.00     | 67,540.67          | 481,540.67             |



Dated 9/1/4 with Delivery of 9/1/4  
Bond Years 1,940.000  
Average Coupon 4.388692  
Average Life 4.731707

*Escrow to pay 888  
would be a deposit  
888 \$446,450.00*

Calls Performed

| Call No. | Call Date | First Maturity Called | Last Maturity Called | Principal Called | Call Price | Call Premium |
|----------|-----------|-----------------------|----------------------|------------------|------------|--------------|
| 1)       | 9/1/9     | 3/1/10                | 3/1/13               | 200,000.00       | 102.000    | 4,000.00     |
|          |           |                       |                      | 200,000.00       |            | 4,000.00     |

ROSS, SINCLAIRE & ASSOCIATES - JPETERSEN  
Filename: floyd Key: gas

FLOYD COUNTY GO BONDS  
GAS SYSTEM PORTION OF 1999 REFUNDING BONDS

Debt Service Schedule

| Date    | Principal  | Coupon   | Interest  | Period Total | Fiscal Total |
|---------|------------|----------|-----------|--------------|--------------|
| 3/ 1/ 5 | 40,000.00  | 4.350000 | 8,973.13  | 48,973.13    | 48,973.13    |
| 9/ 1/ 5 |            |          | 8,103.13  | 8,103.13     |              |
| 3/ 1/ 6 | 40,000.00  | 4.350000 | 8,103.13  | 48,103.13    | 56,206.25    |
| 9/ 1/ 6 |            |          | 7,233.13  | 7,233.13     |              |
| 3/ 1/ 7 | 40,000.00  | 4.350000 | 7,233.13  | 47,233.13    | 54,466.25    |
| 9/ 1/ 7 |            |          | 6,363.13  | 6,363.13     |              |
| 3/ 1/ 8 | 45,000.00  | 4.350000 | 6,363.13  | 51,363.13    | 57,726.25    |
| 9/ 1/ 8 |            |          | 5,384.38  | 5,384.38     |              |
| 3/ 1/ 9 | 45,000.00  | 4.375000 | 5,384.38  | 50,384.38    | 55,768.75    |
| 9/ 1/ 9 |            |          | 4,400.00  | 4,400.00     |              |
| 3/ 1/10 | 50,000.00  | 4.400000 | 4,400.00  | 54,400.00    | 58,800.00    |
| 9/ 1/10 |            |          | 3,300.00  | 3,300.00     |              |
| 3/ 1/11 | 50,000.00  | 4.400000 | 3,300.00  | 53,300.00    | 56,600.00    |
| 9/ 1/11 |            |          | 2,200.00  | 2,200.00     |              |
| 3/ 1/12 | 50,000.00  | 4.400000 | 2,200.00  | 52,200.00    | 54,400.00    |
| 9/ 1/12 |            |          | 1,100.00  | 1,100.00     |              |
| 3/ 1/13 | 50,000.00  | 4.400000 | 1,100.00  | 51,100.00    | 52,200.00    |
| ACCRUED | 410,000.00 |          | 85,140.63 | 495,140.63   |              |
|         | 410,000.00 |          | 85,140.63 | 495,140.63   |              |

Dated 9/ 1/ 4 with Delivery of 9/ 1/ 4

Bond Years 1,940,000  
 Average Coupon 4.388692  
 Average Life 4.731707  
 W I C % 4.388692 % Using 100.0000000  
 T I C % 4.387962 % From Delivery Date  
 Arbitrage Yield 4.387962 %

ROSS, SINCLAIRE & ASSOCIATES - JPETERSEN

Filename: floyd Key: gas

# First Commonwealth Bank

Member FDIC

Consumers may request disclosures for their accounts containing terms, fees, & rate information. Call (606)886-2321

STATEMENT PERIOD  
LAST ENDING

11/30/03 12/31/03

1 EAST KENTUCKY UTILITIES INC  
COFGS BOND DEBT SRVC RESERVE  
PO BOX 408  
PRESTONSBURG KY 41653-0551

PAGE 1

TAX# 61 0958709



| ACCOUNT NUMBER | PREVIOUS BALANCE | --- CREDITS COUNT | --- DEBITS COUNT | --- DEBITS AMOUNT | TOTAL FEE | PRESENT BALANCE |
|----------------|------------------|-------------------|------------------|-------------------|-----------|-----------------|
| MMA 551668408  | 81516.19         | 1                 | 1                | 60000.00          |           | 21529.41        |

| CHECK NUMBER | DATE | AMOUNT | TRANSACTIONS CHECK NUMBER | DATE | AMOUNT | DATE | BALANCE |
|--------------|------|--------|---------------------------|------|--------|------|---------|
| *****        |      |        |                           |      |        |      |         |

MONEY MKT PLUS 551668408 YEAR TO DATE INTEREST 440.35  
DAYS IN THIS CYCLE 31

0.4000% INTEREST RATE 0.001095% DAILY PERIODIC RATE 12/01/03

\*\*\*\*\* CHECKS \*\*\*\*\*

|       |          |    |       |          |
|-------|----------|----|-------|----------|
| 12/10 | 60000.00 | CK | 12/10 | 21516.19 |
|       |          |    | 12/31 | 21529.41 |

\*\*\*\*\* DEPOSITS \*\*\*\*\*

|       |       |    |
|-------|-------|----|
| 12/31 | 13.22 | IN |
|-------|-------|----|

# First Commonwealth Bank

Member FDIC

Consumers may request disclosures for their accounts containing terms, fees, & rate information. Call (606)886-2321

STATEMENT PERIOD  
 LAST ENDING  
 9/30/04 10/13/04

1 EAST KENTUCKY UTILITIES INC  
 COFGS BOND DEBT SRVC RESERVE  
 PO BOX 408  
 PRESTONSBURG KY 41653-0551

PAGE 1

| ACCOUNT NUMBER   | PREVIOUS BALANCE | CREDITS COUNT | DEBITS COUNT | TOTAL FEE | PRESENT BALANCE       |       |         |
|--|------------------|---------------|--------------|-----------|-----------------------|-------|---------|
| MMA 551668408  | 21594.13         |               | 1            |           | *CLOSED ACCT*         |       |         |
| *****  |                  |               |              |           |                       |       |         |
| CHECK NUMBER   | DATE             | AMOUNT        | CHECK NUMBER | DATE      | AMOUNT                | DATE  | BALANCE |
| *****  |                  |               |              |           |                       |       |         |
| MONEY MKT PLUS   |                  | 551668408     |              |           | YEAR TO DATE INTEREST | 64.72 |         |
|  |                  |               |              |           | DAYS IN THIS CYCLE    | 13    |         |
| 0.4000% INTEREST RATE 0.001095% DAILY PERIODIC RATE 10/01/04 |                  |               |              |           |                       |       |         |
| ***** CHECKS *****   |                  |               |              |           |                       |       |         |
|  | 10/08            | 21594.13      | CLOSED       |           |                       | 10/08 | 0.00    |
| ***** DEPOSITS *****   |                  |               |              |           |                       |       |         |

# FLOYD COUNTY FISCAL COURT

**INVOICE**

**#00100**

**East KY Utilities, Inc.**  
107 S Arnold Ave  
Prestonsburg KY 41653  
886-2431

| QUANTITY | DESCRIPTION  | PRICE | AMOUNT      |
|----------|--|-------|-------------|
|          | 1999 Refunding Bond Debt pertaining to the Gas System for Floyd County, KY Bond Principal was due on Mar 01, 2003 of \$40,000. However East KY Utilities was only able to pay \$20,000. So the amount due to the Fiscal Court is \$20,000. |       | \$20,000.00 |



RESOLUTION

At the Regular Meeting of the Floyd County Fiscal Court held in the Courtroom of the Floyd County Courthouse on Friday December 17<sup>th</sup>, 2004 at the hour of 10:00 am the following Resolution was offered:

WHEREAS, an emergency exists to set up an loan amortization schedule for East Kentucky Utilities, Inc. enabling them to repay the outstanding debt owed to the county. By signing this agreement it will encourage the Public Service Commission to include this debt in their calculations for the new rate increase. The debt owed to the county is as follows: \$158,323.00 paid to Equitable Resources and a \$20,000.00 shortage on the Bond Principal. The Loan Amortization schedule is included on the next page.

THEREFORE, it is hereby ordered by the Fiscal Court to authorize Paul H. Thompson, Judge/Executive to sign any and all necessary documents pertaining to East Kentucky Utilities Loan Amortization Schedule.

MOTION for adoption and this Resolution was made by Paul and seconded by Gerald and vote taken as follows:

FOR  
Gerald  
Lang  
Paul

AGAINST  
Jackie  
Alan

THEREUPON said, Motion was declared passed and the Resolution adopted this the 17<sup>th</sup> day of December 2004.

\_\_\_\_\_  
Paul H. Thompson  
Floyd County Judge/Executive

ATTEST:  
Chris Waugh, Clerk  
By: \_\_\_\_\_ DC

# Loan Amortization

## Inputs

|                       |              |
|-----------------------|--------------|
| Loan Principal Amount | \$178,323.00 |
| Annual Interest Rate  | 4.00%        |
| Loan Period in Years  | 7            |
| Base Year of Loan     | 2005         |
| Base Month of Loan    | 1            |

## Key Figures

|                                 |              |
|---------------------------------|--------------|
| Annual Loan Payments            | \$29,249.52  |
| Monthly Payments                | \$2,437.46   |
| Interest in First Calendar Year | \$6,722.91   |
| Interest Over Term of Loan      | \$26,423.64  |
| Sum of All Payments             | \$204,746.64 |

## Payments in First 12 Months

| Year | Month | Balance      | Payments   | Principal  | Interest | Cumulative<br>Principal | Cumulative<br>Interest | Ending<br>Balance |
|------|-------|--------------|------------|------------|----------|-------------------------|------------------------|-------------------|
| 2005 | Jan   | \$178,323.00 | \$2,437.46 | \$1,843.05 | \$594.41 | \$1,843.05              | \$594.41               | \$176,479.95      |
|      | Feb   | \$176,479.95 | \$2,437.46 | \$1,849.19 | \$588.27 | \$3,692.24              | \$1,182.68             | \$174,630.76      |
|      | Mar   | \$174,630.76 | \$2,437.46 | \$1,855.36 | \$582.10 | \$5,547.60              | \$1,764.78             | \$172,775.40      |
|      | Apr   | \$172,775.40 | \$2,437.46 | \$1,861.54 | \$575.92 | \$7,409.14              | \$2,340.70             | \$170,913.86      |
|      | May   | \$170,913.86 | \$2,437.46 | \$1,867.75 | \$569.71 | \$9,276.89              | \$2,910.41             | \$169,046.11      |
|      | Jun   | \$169,046.11 | \$2,437.46 | \$1,873.97 | \$563.49 | \$11,150.86             | \$3,473.90             | \$167,172.14      |
|      | Jul   | \$167,172.14 | \$2,437.46 | \$1,880.22 | \$557.24 | \$13,031.08             | \$4,031.14             | \$165,291.92      |
|      | Aug   | \$165,291.92 | \$2,437.46 | \$1,886.49 | \$550.97 | \$14,917.57             | \$4,582.11             | \$163,405.43      |
|      | Sep   | \$163,405.43 | \$2,437.46 | \$1,892.78 | \$544.68 | \$16,810.35             | \$5,126.79             | \$161,512.65      |
|      | Oct   | \$161,512.65 | \$2,437.46 | \$1,899.08 | \$538.38 | \$18,709.43             | \$5,665.17             | \$159,613.57      |
|      | Nov   | \$159,613.57 | \$2,437.46 | \$1,905.41 | \$532.05 | \$20,614.84             | \$6,197.22             | \$157,708.16      |
|      | Dec   | \$157,708.16 | \$2,437.46 | \$1,911.77 | \$525.69 | \$22,526.61             | \$6,722.91             | \$155,796.39      |

## Yearly Schedule of Balances and Payments

| Year | Balance      | Payments    | Principal   | Interest   | Cumulative<br>Principal | Cumulative<br>Interest | Ending<br>Balance |
|------|--------------|-------------|-------------|------------|-------------------------|------------------------|-------------------|
| 2006 | \$155,796.39 | \$29,249.52 | \$23,444.58 | \$5,804.94 | \$45,971.19             | \$12,527.85            | \$132,351.81      |
| 2007 | \$132,351.81 | \$29,249.52 | \$24,399.55 | \$4,849.97 | \$70,370.74             | \$17,377.82            | \$107,952.26      |
| 2008 | \$107,952.26 | \$29,249.52 | \$25,393.62 | \$3,855.90 | \$95,764.36             | \$21,233.72            | \$82,558.64       |
| 2009 | \$82,558.64  | \$29,249.52 | \$26,428.20 | \$2,821.32 | \$122,192.56            | \$24,055.04            | \$56,130.44       |
| 2010 | \$56,130.44  | \$29,249.52 | \$27,504.92 | \$1,744.60 | \$149,697.48            | \$25,799.64            | \$28,625.52       |
| 2011 | \$28,625.52  | \$29,249.52 | \$28,625.52 | \$624.00   | \$178,323.00            | \$26,423.64            | \$0.00            |

DEC 7 2004 1 20 PM

NOV 2004 1 2

# **FG** FIRST GUARANTY BANK

---

P. O. Box 888  
36 Main Street  
Martin, Kentucky 41649  
Phone: (606) 285-3294  
Fax: (606) 285-3291

December 6, 2004

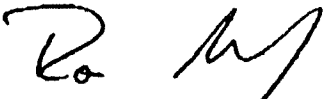
RE: East Kentucky Utilities, Inc.  
Approximate Financing

To Whom It May Concern:

Please accept this letter as correspondence to approximate a long-term payment amount.

Currently, the principal amount of the loan in question is \$74,800.00. If this loan were to be amortized over a five-year (60-month) period, the approximate monthly payment would be \$1,450.00 per month. This payment amount assumes a fixed rate of interest of 6.00%.

Sincerely,



Ronnie Baldrige  
Vice-President  
First Guaranty Bank  
Martin, KY 41649



# PROMISSORY NOTE

| Principal  | Loan Date  | Maturity   | Loan No  | Call / Coll | Account | Officer | Initials |
|--|------------|------------|----------|-------------|---------|---------|----------|
| \$74,800.00  | 10-28-2004 | 04-28-2005 | 10001737 |             |         | JCM     |          |
| 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:** EAST KENTUCKY UTILITIES, INC. (TIN:  
610-95-8709)  
P.O. BOX 408  
PRESTONSBURG, KY 41653

**Lender:** FIRST GUARANTY BANK  
36 Main Street  
P.O. Box 888  
Martin, KY 41649

**Principal Amount:** \$74,800.00

**Initial Rate:** 3.750%

**Date of Note:** October 28, 2004

**PROMISE TO PAY.** EAST KENTUCKY UTILITIES, INC. ("Borrower") promises to pay to FIRST GUARANTY BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Seventy-four Thousand Eight Hundred & 00/100 Dollars (\$74,800.00), together with interest on the unpaid principal balance from October 28, 2004, until paid in full.

**PAYMENT.** Borrower will pay this loan in one principal payment of \$74,800.00 plus interest on April 28, 2005. This payment due on April 28, 2005, will be for all principal and all accrued interest not yet paid. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the New York Prime Rate (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current index rate upon Borrower's request. The interest rate change will not occur more often than each Day. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 4.750% per annum. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 1.000 percentage point under the Index, resulting in an initial rate of 3.750% per annum. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

**PREPAYMENT.** Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: FIRST GUARANTY BANK, 36 Main Street, P.O. Box 888, Martin, KY 41649.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, Lender, at its option, may, if permitted under applicable law, increase the variable interest rate on this Note 2 percentage points. The interest rate will not exceed the maximum rate permitted by applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

**CHOICE OF VENUE.** If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of FLOYD County, Commonwealth of Kentucky.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES.** Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: First Guaranty Bank P.O. Box 888 Martin, KY 41649.

**GENERAL PROVISIONS.** Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this

# Loan Amortization



## Inputs

Loan Principal Amount  
Annual Interest Rate  
Loan Period in Years  
Base Year of Loan  
Base Month of Loan

| LOAN 2                |             |
|-----------------------|-------------|
| Loan Principal Amount | \$75,000.00 |
| Annual Interest Rate  | 6.00%       |
| Loan Period in Years  | 5           |
| Base Year of Loan     | 2005        |
| Base Month of Loan    | 1           |

## Key Figures

Annual Loan Payments \$17,399.52  
Monthly Payments \$1,449.96  
Interest in First Calendar Year \$4,139.30  
Interest Over Term of Loan \$11,997.60  
Sum of All Payments \$86,997.60

## Payments in First 12 Months

| Year | Month | Balance     | Payments   | Principal  | Interest | Cumulative Principal | Cumulative Interest | Ending Balance |
|------|-------|-------------|------------|------------|----------|----------------------|---------------------|----------------|
| 2005 | Jan   | \$75,000.00 | \$1,449.96 | \$1,074.96 | \$375.00 | \$1,074.96           | \$375.00            | \$73,925.04    |
|      | Feb   | \$73,925.04 | \$1,449.96 | \$1,080.33 | \$369.63 | \$2,155.29           | \$744.63            | \$72,844.71    |
|      | Mar   | \$72,844.71 | \$1,449.96 | \$1,085.74 | \$364.22 | \$3,241.03           | \$1,108.85          | \$71,758.97    |
|      | Apr   | \$71,758.97 | \$1,449.96 | \$1,091.17 | \$358.79 | \$4,332.20           | \$1,467.64          | \$70,667.80    |
|      | May   | \$70,667.80 | \$1,449.96 | \$1,096.62 | \$353.34 | \$5,428.82           | \$1,820.98          | \$69,571.18    |
|      | Jun   | \$69,571.18 | \$1,449.96 | \$1,102.10 | \$347.86 | \$6,530.92           | \$2,168.84          | \$68,469.08    |
|      | Jul   | \$68,469.08 | \$1,449.96 | \$1,107.61 | \$342.35 | \$7,638.53           | \$2,511.19          | \$67,361.47    |
|      | Aug   | \$67,361.47 | \$1,449.96 | \$1,113.15 | \$336.81 | \$8,751.68           | \$2,848.00          | \$66,248.32    |
|      | Sep   | \$66,248.32 | \$1,449.96 | \$1,118.72 | \$331.24 | \$9,870.40           | \$3,179.24          | \$65,129.60    |
|      | Oct   | \$65,129.60 | \$1,449.96 | \$1,124.31 | \$325.65 | \$10,994.71          | \$3,504.89          | \$64,005.29    |
|      | Nov   | \$64,005.29 | \$1,449.96 | \$1,129.93 | \$320.03 | \$12,124.64          | \$3,824.92          | \$62,875.36    |
|      | Dec   | \$62,875.36 | \$1,449.96 | \$1,135.58 | \$314.38 | \$13,260.22          | \$4,139.30          | \$61,739.78    |

## Yearly Schedule of Balances and Payments

| Year | Balance     | Payments    | Principal   | Interest   | Cumulative Principal | Cumulative Interest | Ending Balance |
|------|-------------|-------------|-------------|------------|----------------------|---------------------|----------------|
| 2006 | \$61,739.78 | \$17,399.52 | \$14,078.12 | \$3,321.40 | \$27,338.34          | \$7,460.70          | \$47,661.66    |
| 2007 | \$47,661.66 | \$17,399.52 | \$14,946.41 | \$2,453.11 | \$42,284.75          | \$9,913.81          | \$32,715.25    |
| 2008 | \$32,715.25 | \$17,399.52 | \$15,868.27 | \$1,531.25 | \$58,153.01          | \$11,445.07         | \$16,846.99    |
| 2009 | \$16,846.99 | \$17,399.52 | \$16,846.99 | \$552.53   | \$75,000.00          | \$11,997.60         | \$0.00         |