

# Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

RECEIVED

JUL 19 2013

PUBLIC SERVICE  
COMMISSION

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT

July 18, 2013

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Re: Southside Water, Inc., and the City of Beattyville Joint PSC Application - KRS  
278.020 (5) and (6)

Dear Mr. Derouen:

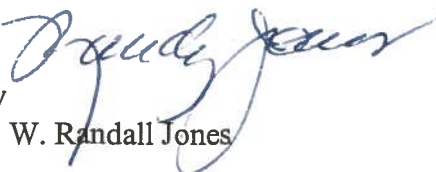
Enclosed please find the original and ten (10) copies of the Joint Application of Southside Water, Inc., and the City of Beattyville for an Order approving the transfer of ownership and control pursuant to KRS 278.020 (5) and (6).

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By



W. Randall Jones

WRJ:jlm  
Enclosures

cc: Distribution List

**DISTRIBUTION LIST**

**Re: Southside Water, Inc., and the City of Beattyville - Joint PSC Application for Approval to Transfer Ownership and Control Pursuant to KRS 278.020 (5) and (6).**

Mr. Thomas G. Fern  
State Director  
USDA, Rural Development  
771 Corporate Drive, Suite 200  
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336  
Fax: (859) 224-7340

Honorable John Smith, Mayor  
City of Beattyville  
P.O. Box 285  
Beattyville, Kentucky 41311

Telephone: (606) 464-5007

Mr. Eugene Barrett, President  
Southside Water, Inc.  
P.O. Box 1007  
Beattyville, Kentucky 41311

Telephone: (606) 464-2429

W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Telephone: (502) 569-7534  
Fax: (502) 569-7555

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

RECEIVED

JUL 19 2013

PUBLIC SERVICE  
COMMISSION

In the Matter of:

**JOINT APPLICATION OF SOUTHSIDE WATER, )  
INC., OF LEE COUNTY, KENTUCKY AND THE )  
CITY OF BEATTYVILLE, KENTUCKY )  
FOR AN ORDER APPROVING A TRANSFER OF ) Case No. 2013 - \_\_\_\_\_  
OWNERSHIP AND CONTROL PURSUANT TO )  
THE PROVISIONS OF KRS 278.020(5) AND (6) )**

**JOINT APPLICATION**

This Joint Application of the Southside Water, Inc., ("Southside") of Lee County, Kentucky and the City of Beattyville, Kentucky ("Beattyville")(hereinafter, Southside and Beattyville shall be collectively referred to as (the "Applicants")), respectfully shows:

1. That Southside is a non-profit water association of Lee County, Kentucky, created and existing under and by virtue of Chapter 273 of the Kentucky Revised Statutes and the post office address of Southside is Southside Water, Inc., c/o Mr. Eugene Barrett, President, P.O. Box 1007, Beattyville, Kentucky 41311. A copy of the Articles of Incorporation and By-Laws of Southside are attached hereto as **Exhibit "A"**.
2. That Beattyville is a municipal corporation of the Commonwealth of Kentucky and the post office address of Beattyville is City of Beattyville, Kentucky, c/o Honorable John Smith, Mayor, 28 Railroad Street, Suite A, Beattyville, Kentucky 41311.
3. That the Applicants, pursuant to the provisions of KRS 278.020(5) and (6), request that the Kentucky Public Service Commission ("PSC") enter its Order authorizing and approving the transfer and control of Southside's water distribution system (the "Southside System") to Beattyville.
4. That Southside has operated the Southside System since 1968 and has expanded said Southside System by borrowing funds, in part, from the United States Department of Agriculture, acting through Rural Development ("RD") through the issuance of a promissory note dated November 18, 2008, in the original principal amount of \$344,000 (the "RD Note"). A copy of the RD Note is attached hereto as **Exhibit "B"**. The RD Note is secured by a Real Estate Mortgage for Kentucky, Form RD 1927-1 KY (the "RD Mortgage"), which RD Mortgage is of record in Mortgage

Book 97, Page 221 in the office of the clerk of Lee County, Kentucky. A copy of the RD Mortgage is attached hereto as **Exhibit "C"**.

5. That Southside is currently in default on its payments under the RD Note, and RD has requested that Beattyville acquire the Southside System, or in the alternative, RD will institute proceedings pursuant to the provisions of the RD Mortgage to foreclose on the Southside System. See the letter of RD, dated July 11, 2013 attached hereto as **Exhibit "D"** referencing the RD Note default and RD's recommendation as to the acquisition.

6. That Southside held its annual meeting on March 26, 2013 pursuant to the required Notice, a copy of which is attached hereto as **Exhibit "E"**, which Notice stated that a possible merger with Beattyville would be on the agenda. A list of the members attending the meeting is attached hereto as **Exhibit "F"**.

7. That ballots were handed out to those attending the Southside annual meeting asking for a vote on whether or not to raise water rates enough to bring Southside back to a positive financial condition or consolidate the Southside System with Beattyville. A copy of the ballots are attached hereto as **Exhibit "G"**. Nineteen ballots were turned in with the vote being eleven for consolidation, three for the rate increase; one unsigned; and four invalid because the voters were not valid members. After the vote, the Southside Board of Directors made a motion to approve the merger with Beattyville, which motion was seconded and all Directors voted yes. A copy of the minutes of the Southside annual meeting are attached hereto as **Exhibit "H"**.

8. That the Beattyville City Council held a regular meeting on April 8, 2013 at which the Southside situation was discussed. A motion was made to authorize the Mayor to proceed with the acquisition of the Southside System, which motion was seconded and all Council members voted yes. A copy of the minutes of the April 8, 2013 Beattyville City Council meeting is attached hereto as **Exhibit "I"**.

9. That an Acquisition Agreement, dated as of June 1, 2013 (the "Agreement") was drafted and distributed to Southside and Beattyville. The Southside Board of Directors met on June 11, 2013 and voted to approve the Agreement. A copy of the minutes of the June 11, 2013 Southside Board meeting is attached hereto as **Exhibit "J"**. The Beattyville City Council met on June 24, 2013 and voted to approve the Agreement. A copy of the minutes of the June 24, 2013 Beattyville City Council meeting is attached hereto as **Exhibit "K"**. An executed copy of the Agreement is attached hereto as **Exhibit "L"**.

10. That the customer security deposits for Southside are being handled pursuant to section 4 of the Agreement which provides that Southside shall provide an accounting of said deposits to Beattyville and shall transfer said deposits to Beattyville at the closing of the acquisition.

**Factors for Consideration under KRS 278.020(5) and (6)**

**Financial Abilities**

11. That the Beattyville water system is in very good financial condition which shows that Beattyville has the financial capability to effectively operate the Southside System for the benefit of the water customers.

12. That during the 2010, 2011 and 2012 fiscal years ending on June 30, Beattyville has produced positive operating income before depreciation on its utilities systems. A copy of Beattyville's financial statements for the 2010, 2011 and 2012 fiscal years are attached hereto as **Exhibit "M"**.

13. That as part of the Agreement, Beattyville would issue its revenue bonds which would be substituted for the RD Note, whereupon, the RD Note would be cancelled. The Beattyville revenue bonds would be purchased by RD and would be secured by the revenues from the Beattyville water and sewer system.

**Technical Abilities**

14. That Beattyville employs 12 people in the water and sewer system who together have the technical expertise to operate the system on a daily basis. Beattyville has 6 licensed operators who have been certified by the Commonwealth of Kentucky. A list of the licensed operators and their certification numbers is attached hereto as **Exhibit "N"**.

**Managerial Abilities**

15. That Beattyville employs 2 people who work in the water and sewer office and carry out the day to day operations of the system. These individuals provide expertise on office matters, including scheduling, billing, collecting, etc.

**Effect on Current Rates**

16. That Beattyville proposes under the Agreement, to charge the former customers of Southside the outside city limits rates currently in effect for Beattyville. A copy of the current Beattyville water rates is attached hereto as **Exhibit "O"**.

**Benefits of Acquisition**

17. That the acquisition of the Southside System by Beattyville will prevent a foreclosure on the Southside System by RD and thus a possibility of massive rate increases or even a disruption in water service to the Southside customers. Also, the acquisition will provide the Southside customers with better support services, including emergency line repairs and up to date billing.

WHEREFORE, the Applicants, the Southside Water, Inc., and the City of Beattyville, Kentucky ask that the Public Service Commission of the Commonwealth of Kentucky grant to the Applicant an Order approving the transfer of ownership and control of Southside Water, Inc., to the City of Beattyville pursuant to KRS 278.020(5) and (6).

SOUTHSIDE WATER, INC.

By: Eugene Barrett  
President  
Board of Directors

COMMONWEALTH OF KENTUCKY        )  
  ) SS:  
COUNTY OF LEE    )

The undersigned, Eugene Barrett, being duly sworn, deposes and states that he is the President of the Board of Directors of the Southside Water, Inc., the Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this July 12, 2013.

Eugene Barrett  
Eugene Barrett, President  
Southside Water, Inc.

Subscribed, sworn and acknowledged to before me by Eugene Barrett, President of the Board of Directors of the Southside Water, Inc., on this July 12, 2013.

My Commission expires: 02-04-2015.

Joanne Wolff  
Notary Public  
In and for said County and State

CITY OF BEATTYVILLE, KENTUCKY

By: Johnson  
Mayor

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF LEE )

The undersigned, John Smith, being duly sworn, deposes and states that he is the Mayor of the City of Beattyville, Kentucky, the Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this July 12, 2013.

Johnson  
John Smith, Mayor  
City of Beattyville, Kentucky

Subscribed, sworn and acknowledged to before me by John Smith, Mayor of the City of Beattyville, Kentucky, on this July 12, 2013.

My Commission expires: Dec. 7, 2016.


SWORN TO AND SUBSCRIBED  
BEFORE ME THIS DATE

JUL 12 2013

TERRY A. TIPTON  
NOTARY PUBLIC  
Kentucky, State at Large  
My Commission Expires 12/7/2016

Terry A. Tipton  
Notary Public  
In and for said County and State

RUBIN & HAYS

By:   
\_\_\_\_\_  
W. Randall Jones, Esq.  
Counsel for Applicant  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525  
wrjones@rubinhays.com



## LIST OF EXHIBITS

**Exhibit A** - Articles of Incorporation and By-Laws of Southside Water, Inc.

**Exhibit B** - USDA, Rural Development Promissory Note.

**Exhibit C** - USDA, Rural Development Real Estate Mortgage for Kentucky.

**Exhibit D** - USDA, Rural Development Letter, dated July 11, 2013.

**Exhibit E** - Notice of Southside Annual Meeting.

**Exhibit F** - List of Southside Members Attending the March 26, 2013 Meeting.

**Exhibit G** - Southside Ballots.

**Exhibit H** - Minutes of Southside Annual Meeting held on March 26, 2013.

**Exhibit I** - Minutes of Beattyville City Council Meeting held on April 8, 2013.

**Exhibit J** - Minutes of Southside Board Meeting held on June 11, 2013.

**Exhibit K** - Minutes of Beattyville City Council Meeting held on June 24, 2013.

**Exhibit L** - Acquisition Agreement, dated June 1, 2013.

**Exhibit M** - Beattyville Financial Statements for Fiscal Years 2010, 2011 and 2012.

**Exhibit N** - Beattyville Licensed Operators.

**Exhibit O** - Beattyville Water Rates.

A

47142

# Commonwealth of Kentucky

## Department of State



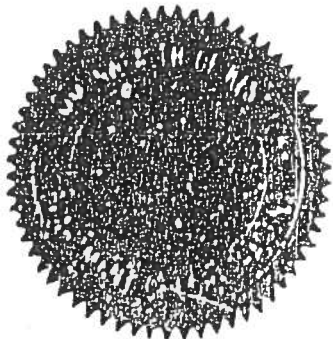
### Office of Secretary of State

ELMER BEGLEY, SECRETARY  
DOMESTIC CORPORATION DEPARTMENT  
NON-STOCK CORPORATION

I, *ELMER BEGLEY*, Secretary of the State of Kentucky,  
hereby certify that Articles of Incorporation of the

*\_\_\_\_\_* of *\_\_\_\_\_* County, *\_\_\_\_\_* Kentucky,  
has this day been filed in my office.

It appearing from said Articles of Incorporation that the said Corporation has no capital stock, and no private pecuniary profit is to be derived therefrom, the said Corporation is not required by law to pay a tax on organization; and it further appearing that the aforesaid Corporation has complied with all the requirements of the law, this certificate is issued as evidence of the fact that the said Corporation is now authorized and empowered to do business in this State under its charter, subject to the restrictions imposed by the statutes of Kentucky.



SECRETARY OF STATE

Given under my hand as Secretary of State,  
this *21st* day of *May* *1960*

by *Elmer Begley*  
Secretary of State

Assistant Secretary of State

Book 3 197

ARTICLES OF INCORPORATION

OF

SOUTHIDE WATER, INC.  
DEATTVILLE, KY. 41311

We, whose names are hereto subscribed, acting as incorporators for the purpose of forming a nonprofit corporation under the provisions of Chapter 273, REKRS, assuming and claiming all powers, rights, privileges and immunities not permitted bodies corporate under said laws, and do hereby adopt the following Articles of Incorporation:

ARTICLE I

NAME

The name of this corporation shall be SOUTHIDE WATER, INC.

ARTICLE II

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at Deatville,

ARTICLE III

PURPOSE

The purpose of the said corporation shall be to construct, develop and operate a complete water supply and distribution system by acquisition, development, or otherwise to construct a water supply system, including water works, lay water mains, pipe lines, etc. to furnish and distribute to members of the corporation, public buildings and businesses, for public use, for the purpose of furnishing water to the members of the corporation, for the purpose of furnishing water to the members of the corporation, and for all things necessary, convenient and incidental thereto, and a complete water supply system, including water works, development, or otherwise to construct water, mains, etc. to furnish, treatment plants, reservoirs, for public use, for the purpose of the corporation, public buildings and local industries, for supply and health protection and collect service payment for rental of same and other all things necessary, convenient and incidental thereto.

ARTICLE IV

NAME

This corporation shall be known as, which is of legal capacity to acquire, own, hold, lease, and the right to operate said

ARTICLE V

OFFICERS

This corporation shall have all powers provided by law.

ARTICLE VI

MEMBERSHIP

Membership herein members of the corporation as provided in the by-laws.

ARTICLE VII

DIRECTORS

The corporation shall have resident directors.

ARTICLE VIII

BOARD OF DIRECTORS

1. The affairs of this corporation shall be managed by a board of seven (7) Directors to be elected by and from the members thereof and shall serve for a term of three years and until their successors are elected. The office of the Board may be filled except by members to these articles. At the first annual meeting, the Directors shall be elected for a term of one year; 2 Directors shall be elected for a term of two years; 3 Directors shall be elected for a term of three years. Hereafter Directors shall be elected for a term of three years.
2. The Board of Directors shall fill vacancies occurring in the membership by appointment of qualified members to the office until the next annual meeting of the membership which meeting a member shall be elected to fill the expired term.
3. A majority of the Directors must be present at a meeting to conduct the business of the corporation.
4. At the first annual election, the Directors shall be elected

Audenberg                      Peattysville, Ky. 41111  
 J. Combs, Jr.                    Peattysville, Ky. 41111  
 Fred Congleton                  Peattysville, Ky. 41111  
 J. Mays                            Peattysville, Ky. 41111  
 Lemm Saylor                      Peattysville, Ky. 41111  
 Wiley Stewart                    Peattysville, Ky. 41111  
 H. Tinsner                        Peattysville, Ky. 41111

Of the following persons shall be officers:

President----- Selley Stewart  
 Vice President----- F. W. Brandenburg  
 Secretary----- Lemm Saylor  
 Treasurer----- H.M. Tinsner

5. The Board of Directors shall have their annual meeting after the annual meeting of members hereinafter provided for, at a time and place to be designated by the President, and will elect from their own number a President, Vice President, Secretary and Treasurer. However, the offices of Secretary and Treasurer may be combined into one office.

6. The Board of Directors shall have other meetings as provided in the laws.

ARTICLE IX

MEETINGS

1. The annual meeting of the members of this corporation for the purpose of electing directors and transacting such other business as may properly come before it at such time, shall be held on the 1st Tuesday in April of each year at the time and place specified by the Board of Directors.

2. Special meetings of the members of this corporation may be called by the President at any time or place within the county upon giving to each of the members a notice in writing mailed to his postal address as it appears in the corporation records at least ten (10) days prior to such meeting; and such meetings shall be called by him at any time upon written demand of the majority of the directors, or of any ten (10) members, and in case of his neglect or refusal to call such meetings, which shall be the same as though called by the President. If the purpose of the meeting is to amend the articles, then the notice of meetings signed by the Secretary shall set forth the proposed amendment in substance. Articles may be amended by a two-thirds vote of the members present at such a meeting or voting by proxy.

ARTICLE X

INCORPORATORS

The names and addresses of the incorporators are:

<u>Name</u>	<u>Address</u>
W. Brandenburg	Peattysville, Kentucky 41111
Wiley Stewart	Peattysville, Kentucky 41111
Lemm Saylor	Peattysville, Kentucky 41111
H. Tinsner	Peattysville, Kentucky 41111

ARTICLE XI

BY-LAWS

The corporation may make and amend by-laws at any time through the Board of Directors.

IN WITNESS WHEREOF, we have hereunto subscribed our names this 22nd day of May, 1968.

ORIGINAL COPY

E. W. BRANDENBURG  
E. W. BRANDENBURG

FILED AND RECORDED

Radley Stewart  
REC'DY OFFICE

Elmer Kerley

French Saylor  
100 HORN ST. 100

MAY 22 1968.

SECRETARY OF STATE OF KENTUCKY  
COURTNEY, KENTUCKY

William Fisher  
215 S. 11TH ST.

By Elmer Kerley  
SECRETARY OF STATE

STATE OF KENTUCKY

COUNTY OF IFF

On this 22nd day of May, 1968, before me, Buford C. Short, a Notary Public in and for said County, personally appeared E. W. Brandenburg, Radley Stewart, French Saylor, and W.M. Timber, to whom to be the persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

Buford C. Short  
NOTARY PUBLIC - State of Kentucky at Large.

My commission expires

July 19, 1970.

I hereby certify that this instrument has been drafted by:

ROSE & HORN, ATTORNEYS  
FRANKFURT, KENTUCKY

Buford C. Short

STATE OF KENTUCKY

COUNTY OF IFF, SFF

I, FREDERICK J. SIMMS, Clerk of the Lee County Court, do hereby certify the foregoing Articles of Incorporation of Seatonville Cider Inc, was on the 22nd day of May, 1968, indexed for record, whereupon the same, with the foregoing and this my certificate have been duly recorded in my office in Articles of Incorporation Book No. 3 at page 194.

Given under my hand, this May 22, 1968.

FREDERICK J. SIMMS, CLERK

My Comm. Expires 12-31-70

BY - LAWS  
OF  
SOUTHSIDE WATER, INC., NONPROFIT CORPORATION

ARTICLE I

GENERAL PURPOSES

The purpose for which this corporation is formed, and the powers which it may exercise are set forth in the Articles of Incorporation of the corporation.

ARTICLE II

NAME AND LOCATION

Section 1. The name of this corporation is Southside Water, Inc.

Section 2. The principal office of this corporation shall be located in the City of Beattyville, Lee County, Kentucky, but the corporation may maintain offices and places of business at such other places within the state as the board of directors may determine.

Section 3. The registered agent of the corporation is Buford A. Short, Beattyville, Kentucky 41311.

ARTICLE III

SEAL

Section 1. The seal of this corporation shall have inscribed thereon the name of the corporation, State of Kentucky, and corporate seal.

Section 2. The secretary of the corporation shall have custody of the seal.



Section 3. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE IV

##### FISCAL YEAR

The fiscal year of the corporation shall begin the first day of January in each year.

#### ARTICLE V

##### MEMBERSHIP

Section 1. The holders of membership certificates of this corporation are its members. Any bona fide occupant of a dwelling, farm, or other property, including schools, churches, community and eleemosynary organizations, and where otherwise necessary by contact with said organization, corporation, etc., having reasonable accessibility to the source of and who is in need of having water supplied for domestic, livestock, and other purposes from the water system operated by the corporation and who receives the approval of the board of directors may be admitted to membership upon subscribing for or otherwise acquiring a membership certificate and by signing such agreements for the purchase of water as may be provided and required by the corporation; provided that no person otherwise eligible shall be permitted to subscribe for or acquire a membership of the corporation if the capacity of the corporation's water system is exhausted by the needs of its existing members. The membership fee shall be \$10.00.

Section 2. In case of the death of a member or if a member ceases to be eligible to hold membership as provided in Section 1, or willfully obstructs the purpose and proper activities of the corporation, or

willfully fails to comply with these by-laws and other requirements, the corporation, through the board of directors, may elect to purchase his membership certificate and terminate his membership upon tender to him or his heirs or legal representatives the membership fee of \$10.00 less any indebtedness then due from him to the corporation. Any member whose membership is so terminated for cause other than that of ceasing to be eligible may appeal from the action of the board of directors to a vote of the members at the next regular meeting of the members or a special meeting of the members called for such purpose.

#### ARTICLE VI

##### MEMBERSHIP CERTIFICATES

Section 1. This corporation shall not have capital stock, but its capital shall be represented by membership certificates.

Section 2. The membership certificates shall be issued to each holder of fully paid membership and shall be numbered consecutively, in accordance with the order of issue. Each membership shall bear on its face the following statements:

- A. This membership certificate, No. \_\_\_\_\_, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the articles of incorporation and by-laws and amendments to the same of the Southside Water, Inc.
- B. Transfers of membership certificates shall be made only upon the books of the corporation, only to persons

eligible to become members, only with the approval of the board of directors and only when the member transferring is free from indebtedness to the corporation.

- C. No member of this corporation shall be entitled to more than one vote at meetings of the members or to hold more than one of the membership certificates of the corporation. Every member upon becoming a member of this corporation agrees to sign such agreement for the purchase of water from the corporation as may from time to time be provided and required by the corporation.

Section 3. All transfers of membership certificates shall be made upon the books of the corporation upon the surrender of the certificates covering the same by the holders thereof or by their legal representative but only with the approval of the board of directors and only to persons eligible to become members and only when the transferring member is free from indebtedness to the corporation.

Section 4. Each member agrees to sign such water user's agreements as the corporation shall from time to time provide and require.

#### ARTICLE VII

##### MEETINGS OF MEMBERS

- \*. Section 1. The Annual Meeting of the members of this Corporation shall be held at the South Side Elementary School Library at 7:00 p.m. in April on a date to be determined by the Board of Directors.

- \*. The above meeting place was changed by order of the Board of Directors on May 2, 1990.

Section 2. Notice of meetings of members of the corporation may be given by a notice mailed to each member of record, directed to the address shown upon the books of the corporation, at least ten days prior to the meeting. Such a notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall effect any proceedings taken thereat.

Section 3. The members present at any meeting of the members shall constitute a quorum at any meeting of the corporation for the transaction of business. The voting powers of the members of this corporation shall be equal, each member shall have one vote only, and voting by proxy shall be allowed.

Section 4. Directors of this corporation shall be elected at the annual meeting of the members.

Section 5. The order of business at the regular meetings and so far as possible at all other meetings shall be:

1. Calling to order and proof of quorum
2. Proof of notice of meeting
3. Reading and action on any unapproved minutes
4. Reports of officers and committees
5. Election of directors
6. Unfinished business
7. New business
8. Adjournment

ARTICLE VIII

DIRECTORS AND OFFICERS

Section 1. The board of directors of this corporation shall consist of seven (7) members, all of whom shall be members of the corporation. The directors named in the Articles of Incorporation shall serve until the first annual meeting of the members and until their successors are elected and have qualified. At the first annual meeting of the members, one director shall be elected for a term of one year; two directors for a term of two years and two directors for a term of three years. At each annual meeting thereafter, the members shall elect for a term of three years the number of directors whose terms of office have expired.

Section 2. The Board of directors shall meet within ten days after the first election and within ten days after the annual election of directors and shall elect by ballot a president, and vice-president from among themselves, and a secretary-treasurer, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation or for cause.

Section 3. Special meeting of the board of directors may be called at any time by the president, or any two directors, or not less than twenty-four (24) hours notice previous to the meeting. Notice of special meeting of the board of directors shall be given as provided in Article VII, Section 2 of these by-laws. Any meeting at which all directors are present shall be legal without notice or waiver. Any director or officer may waive any notice required to be given under these by-laws. Presence of a director in person shall constitute waiver by him of notice of a director's

meeting.

Section 4. If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors through not less than a quorum shall, by a majority vote, choose a successor who shall hold office until the next annual meeting of the members of the corporation, at which time the members shall elect a director for the unexpired term, or terms.

Section 5. A majority of the board of directors shall constitute a quorum at any meeting of the board.

Section 6. Compensation of officers may be fixed at any regular or special meeting of the members of the corporation.

Section 7. Officers and directors may be removed from office in the following manner: Any member, officer, or director may present charges against a director or officer by filing them in writing with the secretary of the corporation. If presented by a member, the charges must be accompanied by a petition signed by ten per cent of the members of the corporation. Such removal shall be voted at the next regular meeting or special meeting of the members and shall be effective if approved by a vote of a majority of the members. The directors or officer against whom such charges have been presented shall be informed, in writing, of such charges five days prior to the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel and to present witnesses; and the person or persons presenting such charges against him shall have the same opportunity.

If the removal of a director is approved, such action shall also vacate any other office held by the removed director in the association. A vacancy in the board thus created shall immediately be filled by a vote of a majority of the members present and voting at such meeting. A vacancy in any office thus created shall be filled by the directors from among their number so constituted after the vacancy in the board has been filled.

#### ARTICLE IX

##### DUTIES OF DIRECTORS

Section 1. The Board of directors, subject to the restriction of law, the articles of incorporation, or these by-laws shall exercise all of the powers of the corporation and, without prejudice or to limitation upon their general powers, it is hereby expressly provided that the board of directors shall have, and hereby are given, full power and authority in respect to the matters and as hereinafter set forth:

- A. To pass upon the qualifications of members, and to cause to be issued appropriate certificates of membership.
- B. To select and appoint all officers, agents or employees of the corporation for just cause, prescribe such duties and designate such powers as may not be inconsistent with these by-laws, fix their compensation and pay for faithful services.

- C. To borrow from any source, money, goods or services, and to make and issue notes and other negotiable and transferable instruments, mortgages deeds of trust and trust agreements and to do ever act and thing necessary to effectuate the same.
- D. To prescribe, adopt, and amend, from time to time, such equitable uniform rules and regulations as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the corporation and guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.
- E. To order, at least once a year, an audit of the books and accounts of the corporation by a qualified auditor or accountant. The report prepared by such auditor or accountant shall be submitted to the members of the corporation at their annual meeting.
- F. To fix the charges to be paid by each member for services rendered by the corporation to him, the time of payment and manner of collection.
- G. To require all officers, agents and employees charged with responsibility for the custody of any of the funds of the corporation to give adequate bonds, the costs thereof to be paid by the corporation, and it shall be mandatory upon the directors to so require.



H. To select one or more banks to act as depositories of the funds of the corporation and to determine the manner of receiving, depositing and disbursing of funds of the corporation and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

#### ARTICLE X

##### DUTIES OF OFFICERS

Section 1. Duties of the President: The President shall preside over all meetings of the corporation and the board of directors, call special meetings of the board of directors, perform all acts and duties usually performed by an executive and presiding officer, and sign all membership certificates and such other papers of the corporation as he may be authorized or directed to sign by the board of directors, provided the board of directors may authorize any person to sign any or all checks, contracts and other instruments in writing on behalf of the corporation. The President shall perform such other duties as may be prescribed by the board of directors.

Section 2. Duties of the Vice-President: In the absence or disability of the President, the Vice-President shall perform the duties of the President; provided, however, that in case of death, resignation, or disability of the President, the board of directors may declare the office vacant, and elect his successor.

Section 3. Duties of the Secretary-Treasurer: The Secretary-Treasurer shall keep a complete record of all meetings of the

corporation and of the board of directors and shall have general charge and supervision of the books and records of the corporation. He shall sign all the membership certificates with the president and such other papers pertaining to the corporation as he may be authorized or directed to do so by the board of directors. He shall provide a fidelity bond in an amount to cover an amount equal to the largest sum of money in his possession as Secretary-Treasurer at any one time. He shall serve all notices required by law and these by-laws and shall make a full report of all matters and business pertaining to his office and to the members at the annual meeting. He shall keep the corporate seal and membership certificates records of the corporation, complete and countersign all certificates issued and affix said corporate seal to all papers requiring seal. He shall keep a proper membership certificate record, showing the name of each member of the corporation and date of issuance, surrender, cancellation or forfeiture. He shall make all reports required by law and shall perform such other duties as may be required by law and shall perform such other duties as may be required by him by the corporation or the board of directors. Upon the election of his successor, the Secretary-Treasurer shall turn over to him all the books and other property belonging to the corporation that he may have in his possession. He shall also perform such duties with respect to the finances of the corporation as may be prescribed by the board of directors.

#### ARTICLE XI

#### BENEFITS AND DUTIES OF MEMBERS

Section 1. The corporation will install, maintain, and operate a main distribution pipeline or lines from the source of the water supply and service lines from the main distribution pipeline or lines to the property line of each member of the corporation, at which points, designated as delivery points, meters to be purchased, installed, owned and maintained by the corporation shall be placed. The costs of the service line or lines from the main distribution pipeline or lines of the corporation to the property line of each member shall be paid by the corporation. The corporation will also purchase and install a cut-off valve in each service line from its main distribution line or lines, such cut-off valve to be owned and maintained by the corporation and to be installed on some portion of the service line owned by the corporation. The corporation shall have the sole and exclusive right to use such cut-off valve to turn it on and off.

Section 2. Each member shall be entitled to not to exceed one service line from the corporation's water system, provided that the member shall be required to pay a fee of \$ ( to be determined ) for each service line in excess of one. No new service line or change in an existing service line may be made which will interfere with an existing service line or the delivery of water therein. Each service line shall connect with the corporation's water system, at the nearest available place to the place of desired use by the member if the corporation's water system shall be of sufficient capacity to permit the delivery of water through a service line at that place without

interfering with the delivery of water through a prior service line, then such service line shall be installed at such place as may be designated by the corporation. Each member will be required to dig or have dug a ditch for the connection of the service line or lines from the property line of the members to their dwelling or other portion of his premises and will also be required to purchase and install the portion of the service line or lines from his property line to the place of use on his premises and to maintain such portion of such service line or lines which shall be owned by the member, at his own expense, provided that the corporation may, if the board of directors so determine, purchase the pipe for and install such portion of such service line or lines, the costs of which will, however, be paid by the individual members.

Section 3. Each member shall be entitled to purchase from the corporation pursuant to such agreements as may from time to time be provided and required by the corporation, such water for domestic, livestock and other purposes as a member may desire, subject, however, to the provisions of these by-laws and to such rules and regulations as may be prescribed by the board of directors, each member shall be entitled to have delivered to him through a single service line only such water as may be necessary to supply the needs of the persons residing in a single dwelling and of the livestock owned by such persons and for such other purposes as needed. The water delivered through

each service line shall be metered and the charges for such water shall be determined separately, irrespective of the number of service lines owned by a member.

Section 4. In the event the total water supply shall be insufficient to meet all of the needs of the members or in the event there is a shortage of water, the corporation may prorate the water available among the various members on such basis as is deemed equitable by the board of directors, and may also, prescribe a schedule of hours covering use of water by a particular member and require adherence thereto or prohibit the use of water for other purposes; provided that if any time the total water supply shall be insufficient to meet all of the needs of all of the members for domestic, livestock, and other purposes, the corporation must first satisfy all of the needs of all of the members for domestic purposes before supplying any water for other purposes.

Section 5. The board of directors shall have the right in any calendar year to determine the flat minimum monthly rate to be charged each member for a specified quantity of water, such flat minimum monthly rate to be payable irrespective of whether any water is used by a member during any month, and amount of additional charges, if any, for additional water which may be supplied the members, shall fix the date for the payment of such charges, and shall notify each member of the amount of such charges and the dates for the payment thereof, a member to be entitled to the delivery of water shall pay such charges at the office of the corporation at or prior to the dates affixed by the board

of directors. The failure to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

- A. Non-payment within ten days from the due date will be subject to a penalty of ten per cent of the delinquent account.
- B. Non-payment within thirty days from the due date will result in the water being shut off from the member's property.
- C. Non payment for sixty days after the original due date will result in allowing the corporation, in addition to all other rights and remedies to purchase the member's membership certificate and terminate his membership, and, in such event the member shall not be entitled to receive, nor the corporation obligated to supply, any water.
- D. In the event it becomes necessary for the corporation to shut off the water from a member's property, a fee of \$20.00 will be charged for the reconnection of the services.

Section 6. The board of directors shall be authorized to require each member to enter into water user's agreements which shall embody the principles set forth in the foregoing sections of this article.

Section 7. Membership may be cancelled and/or water service discontinued by the corporation for any violation of any rule, regulation, or condition of service and especially for any of the following reasons:

- A. Misrepresentation in application as to the property or fixtures to be supplied or use to be made of water.
- B. Resale or giving away of water.
- C. Waste or misuse of water due to improper or imperfect service pipes and/or fixtures or failure to keep the same in a suitable state of repair.
- D. Tampering with meter, meter seal, service, or valves or permitting such tampering by others.
- E. Connections, cross-connections, or permitting the same, of any separate water supply to the premises which receives water from the corporation.

## ARTICLE XII

### DISTRIBUTION OF SURPLUS FUNDS

Section 1. It is not anticipated that there will be any net income. If there should be any, then at the end of any fiscal year, after paying the expenses of the corporation for operation and otherwise, and after setting aside reserve, for depreciation of all buildings, equipment, and office fixtures, and such other reserves as the board of directors may deem proper and after providing for payments on interest and principal of obligations and amortized debts of the corporation, and after providing for the purchase of proper supplies and equipment, the net earning shall be accumulated in a

surplus fund for the purpose of replacing, enlarging, extending and repairing the system and property of the corporation and for such other purposes as the board of directors may determine to be for the best interests of the corporation. The said surplus fund or any portion thereof may from time to time at the discretion of the board of directors be applied to said debt of said corporation.

Section 2. Any part or the whole of such net income may be credited at the discretion of the board of directors to the indebtedness of the corporation, should any exist, and upon payment of all debts of the corporation, any surplus so remaining to be placed in a reserve account until such time as the board of directors shall deem sufficient for the needs of said corporation. Thereafter the board of directors may reduce said water rates to meet the costs of operation only.

#### ARTICLE XIII

#### AMENDMENTS

These by-laws may be repealed or amended by a vote of the majority of the directors present <sup>at</sup> ~~any~~ any regular meeting of the corporation, or at any special meeting of the corporation called for that purpose, except that the directors shall not have the power to change the purposes of the corporation so as to decrease its rights and powers under the laws of the state, or to waive any requirement of bond or other provision for the safety and security



of the property and funds of the corporation or its members, or to deprive any member of rights and privileges then existing, or so to amend the by-laws as to effect a fundamental change in the policies of the corporation. Notice of any amendments to be made at a special meeting of the directors must be given at least ten days before such a meeting and must set forth the amendments to be considered.

Amendments to these by-laws must, and will have, prior approval of the lending institution, if an indebtedness is owed or outstanding, before they become effective.

IN WITNESS WHEREOF we, the Board of Directors, have at the organization meeting on this 5th day of June, 1968, adopted the foregoing By-Laws.

BOARD OF DIRECTORS

BY: Sedley Stewart  
Sedley Stewart, President

Attest:

Fremont Saylor  
Fremont Saylor, Secretary

\*\*\*\*\*

I, FREMONT SAYLOR, Secretary of the Southside Water, Inc., a corporation existing under the laws of the State of Kentucky; hereby certify that the attached is a true copy of the By-Laws, together with all amendments thereto, as of the 6th day of June, 1968, which have been duly adopted.

Fremont Saylor  
SECRETARY

**B**

**PROMISSORY NOTE**  
(ASSOCIATION OR ORGANIZATION)

State			
Kentucky			
County			
Lee			
Case No.			
20-65-610700806			
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

KIND OF LOAN:

- ASSOCIATION- ORGANIZATION
- HOUSING-ORGANIZATION
- PUBLIC BODY
- OTHER

Date November 18, 2008

FOR VALUE RECEIVED, SOUTHSIDE WATER ASSOCIATION  
(herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture, (herein called the "Government") at its office in 100 NAMI PLAZA

SUITE 3, LONDON, KY 40741, or at such other place as the Government may hereafter designate in writing, the principal amount of THREE HUNDRED FORTY FOUR THOUSAND dollars

(\$344,000.00), plus interest on the unused principal balance at the rate of FOUR & ONE EIGHTH percent (4.125 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

\$ INTEREST ONLY on 11/18/2009 ;  
 \$ INTEREST ONLY on 11/18/2010 ;  
 \$ \_\_\_\_\_ on \_\_\_\_\_ ;  
 \$ \_\_\_\_\_ on \_\_\_\_\_ ;  
 \$ 18,085.00 thereafter on the 18TH DAY of each NOVEMBER

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable FORTY (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof to preserve or protect any security hereto, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

Default hereunder shall constitute default under any other instrument evidencing a debt or other obligation of Borrower to the Government or securing such a debt or other obligation and default under any such other instrument shall constitute default hereunder. Upon any such default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING-ORGANIZATION" is checked. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

(CORPORATE SEAL)

ATTEST:

*[Signature]*  
 (Signature of Attesting Official)  
 Notary Public  
 (Title of Attesting Official)

SOUTHSIDE WATER ASSOCIATION  
 \_\_\_\_\_  
 (Name of Borrower)  
*[Signature]*  
 EUGENE BARRETT  
 (Signature of Executive Official)  
 CHAIRMAN  
 \_\_\_\_\_  
 (Title of Executive Official)  
 P.O. BOX 1007  
 \_\_\_\_\_  
 (Post Office Box No. or Street Address)  
 BEATTYVILLE, KY 41311  
 \_\_\_\_\_  
 (City, State, and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$	/ /	(6) \$	/ /
(2) \$	/ /	(7) \$	/ /
(3) \$	/ /	(8) \$	/ /
(4) \$	/ /	(9) \$	/ /
(5) \$	/ /	(10) \$	/ /
		TOTAL	

PAY TO THE ORDER OF \_\_\_\_\_

UNITED STATES OF AMERICA

\_\_\_\_\_  
 (Name of Agency)

BY \_\_\_\_\_

C

REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by SOUTHSIDE WATER ASSOCIATION, INC.

residing in LEE County, Kentucky, whose post office address is P.O. BOX 1007, BEATTYVILLE, Kentucky 41311, herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory notes or assumption agreements or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
November 18, 2008	\$344,000.00	4.125%	November 18, 2048

(The interest rate for limited resource farm ownership or limited resource operating loans secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. §2001.

NOW, THEREFORE, in consideration of the loans and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision and (b) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky, LEE

County or Counties of LEE (see attached Exhibit "A" and incorporated herein)

being the same (or part of the same) land conveyed\* together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income therefrom, all improvements, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest there in all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgagee are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with regulations.

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured less the Government against any loss under its insurance of payment of the note by reason of any default by Borrower.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by Government regulations.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) The Government, may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.

(12) Except as otherwise provided by Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as prohibited by 7 C.F.R. part 1940, subpart G.

(22) This instrument shall be subject to the present Government regulations and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, and addressed, unless and until some other address is designated in a notice so given, in the case of the Government to,

\_\_\_\_\_ and in the case of Borrower to the address shown in the Government's Finance Office records (which normally will be the same as the post office shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.





Beginning at a MAG nail set in the center line of Caudill Road at the common corner of the Hertis Burch and Anna Mae Burch, husband and wife, property described in Deed Book 78, Page 406, and the Charles F. Caudill, et al. property described in Deed Book 128, Page 260 and Deed Book 130, Page 259; thence with the center of said road for six (6) calls; N 36 Degrees 43' 59" E 62.20 feet; N 30 Degrees 22' 11" E 69.13 feet; N 27 Degrees 08' 58" E 242.27 feet; N 26 Degrees 00' 49" E 164.29 feet; N 24 degrees 41' 58" E 55.48 feet; and N 28 degrees 02' 34" E 41.26 feet to the westerly side of a 30 feet ingress and egress access easement; thence leaving the center line of Caudill Road with the westerly side of said easement through the lands of Caudill for nine (9) calls; N 34 degrees 47; 30 " W 162.62 feet; N 27 degrees 44' 46" W 150.60 feet; N 16 degrees 17; 09" W 134.21 feet; N 22 degrees 42' 14" W 112.10 feet; N 30 degrees 02' 20" W 126.44 feet; N 10 degrees 58' 10" W 61.16 feet; N 38 degree 58' 37" W 91.31 feet; N 57 degrees 00' 34" W 22.99 feet; and N 64 degrees 58' 04" W 113.81 feet to the True Point of Beginning, said point being and Iron Pin (set) with cap marked "CDP 3000" at the northeasterly corner of Tract 1; thence continuing through the lands of Caudill with the westerly side of said easement; N 56 degrees 16' 39" W 112.25 feet to an iron Pin (set) with cap marked "CDP 3000"; thence leaving said access easement and continuing through the lands of Caudill for three (3) calls; S 19 degrees 36' 08" W 85.70 feet to an Iron Pin (set) with cap marked "CDP 3000"; S 74 degrees 15' 23" E 95.19 feet to an Iron Pin (set) with cap marked "CDP 3000"; and N 34 degrees 34' 18" E 53.74 feet to the point of beginning, having an area of 7,085 square feet, or 0.1627 acres, and being subject to fall right-of-ways and easements of record or in existence.

Being the same property conveyed to Southside Water Inc., by a deed dated December 29, 2004 and recorded in Deed Book 173, page 463, Lee County Court Clerk's Office.

Beginning at a point 90 feet more or less, S 60 degrees W of the back corner (closest to Ferry Road) of the United States Post Office Building on Kentucky Highway #52 and Ferry Road; at this point commencing N 35 degrees W for a distance of 15 feet more or less, at this point turn an internal angle of 61 degrees and run in this direction of a distance of 20 feet more or less at this point turn an internal angle 42 degrees and return to this point of beginning which is 18 feet more or less. The tract described is a triangle. If this described tract of land ceases to be used as a water pump station site by the party of the second part, it successors and assigns, then the title there shall revert back to the parties of the first part herein.

Being the same property conveyed to Southside Water Inc., by a deed dated May 2, 1969 and recorded in Deed Book 89, page 638, Lee County Court Clerk's Office.

Beginning at a point approximately 400 feet west of the junction of the center line of Kentucky Highway 587 and the J.M. Land Road at a point approximately 25 feet west of a fence which is the west boundary of a private cemetery and continuing westerly along the public right of way of Kentucky Highway 587 to a point 75 feet from said fence, from this point N 11 degrees W for a distance of 150 feet from this point N 79 degrees E for a distance of 50 feet from this point S 11 degrees E and 25 feet west of said cemetery boundary fence proceeding parallel to said fence for a distance of 150 feet to the point of beginning.

Being the same property conveyed to Southside Water Inc., by a deed dated May 8, 1969, and recorded in Deed Book 89, page 639, Lee County Court Clerk's Office.

SOUTHSIDE WATER ASSOCIATION, INC., EXHIBIT "A"

Recorded this the 18 day of Nov 20 08  
Book No. 97 Page 221  
LEE COUNTY CLERK RUSSELL STAMPER  
BY: *[Signature]* D.C.  
1:25pm

D



Rural Development

July 11, 2013

Kentucky State Office

771 Corporate Drive,  
Suite 200  
Lexington, KY  
40503

Mr. Gerald E. Wuetcher  
Kentucky Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Voice 859.224.7300  
Fax 859.224.7425  
TTY 859.224.7422

Re: Assumption of Southside Water Association, Inc. by  
the City of Beattyville

Dear Mr. Wuetcher:

This letter confirms a Water and Environmental (WEP) loan in the amount of \$344,000 was awarded to Southside Water Association, Inc. on April 26, 2007.

The Association is currently delinquent on their loan after failing to meet the annual payment due November 18, 2012, in the amount of \$18,085. It is our understanding the Association borrowed funds from a local lender the previous year to meet their annual payment due November 18, 2011.

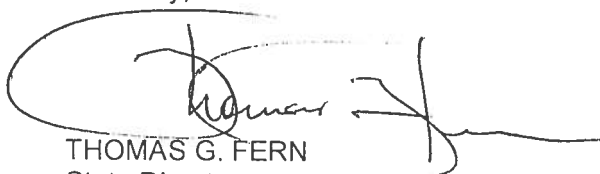
Representatives from Rural Development met with the Association's Board twice to discuss the delinquency and their available options. A decision was made by the Board to sell the system, since a possible significant rate increase was not feasible. A public meeting was held to sell the assets of the Association to the City of Beattyville, at which time the members voted in favor of the sale.

The City of Beattyville is an existing Rural Development borrower who responsibly manages a large utility system and will better serve the demands of the Association's existing customers.

Rural Development believes it in the best interest of the customers of the Association to merge with the City of Beattyville and therefore recommends the proposed sale.

If there are any questions or concerns, feel free to contact Thomas G. Fern at 859/224-7300 or by email at [Thomas.fern@ky.usda.gov](mailto:Thomas.fern@ky.usda.gov).

Sincerely,



THOMAS G. FERN  
State Director

cc: Randall Jones  
Rubin & Hays

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program\\_intake@usda.gov](mailto:program_intake@usda.gov)



PLEASE MAKE  
CHECK PAYABLE TO:

SOUTHSIDE WATER ASSOC., INC.  
P O BOX 1007  
BEATTYVILLE KY 41311

SOUTHSIDE WATER ASSOC., INC.  
P O BOX 1007  
BEATTYVILLE KY 41311

FIRST CLASS MAIL  
U S POSTAGE PAID  
PERMIT NO 29  
BEATTYVILLE KY  
41311

READING  
DATE

DUE DATE

PREVIOUS

PRESENT

CONSUMED

**NOTICE**

AMOUNT

ANNUAL MEETING

CONSUMPTION

UTILITY TAX

AMOUNT

SALES TAX

HAPPY TOP COMMUNITY CENTER

UTILITY TAX

PREVIOUS BALANCE

SALES TAX

PENALTY

3/26/2013 @ 6:00 PM

PREVIOUS BALANCE

**TOTAL DUE**

PENALTY

2 YR. BILLING ANALYSIS AVAILABLE UPON REQUEST  
BILLS PAYABLE ON OR BEFORE THE 10TH OF THE MONTH AT WATER WORKS  
OFFICE. 10% PENALTY ADDED AFTER 10TH OF THE MONTH. SERVICE DISCONTIN-  
UED AFTER 20 DAYS FOR NON-PAYMENT. RATES AVAILABLE UPON REQUEST

<b>ACCOUNT NO.</b>	<b>TOTAL AMOUNT</b>
<b>RETURN THIS STUB WITH PAYMENT</b>	

DEPENDABLE PRINTING CO. • LEXINGTON, KY • (859) 253-3830

SOUTHSIDE WATER ASSOCIATION INC  
109 MAIN STREET  
P O BOX 1007  
BEATTYVILLE KY 41311

March 15, 2013

Dear Member:

The Annual Meeting for 2013 will be held on March 26, 2013 at 6:00 pm  
at the Happy Top Community Center. All members are urged to attend.

During this meeting we will be discussing rate increases and a possible  
merger with Beattyville Water.

If you have any questions, please contact me at 606-464-2429. The office  
hours are Tuesday and Friday 8:30 am to 3:30 pm. We are closed for  
lunch from 12:00 to 1:00 pm.

Eugene Barrett, Chairman

859

37c

3

1

MENT

F

SOUTHSIDE WATER ASSOCIATION INC

ANNUAL MEETING

MARCH 26, 2013

PLEASE SIGN IN:

NAME

ADDRESS

PHONE

JOE NEWELL

Herman Griffin

9 Hwy

Gregory Bonato

Michael

Shirley

William

Harold

Howard

Sam

John

John

Steve

Stephen

Harold

Harry

Carl

James

Richard

John

John

John

John

Bobby





# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

*Carl Perry*  
 Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

OPTION 2: *ARDE R CORNETT*

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68	<b>Current Obligation and Needs</b>			
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05	<b>Debt</b>	<b>Vendors</b>	<b>Meters/Pump</b>	<b>Total</b>
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73	\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

OPTION 2: *Join ? Beattyville*

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

*Archie Trachsel*

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

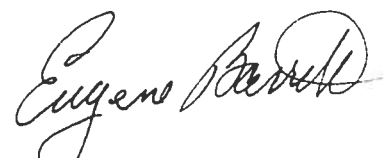
Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.



# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

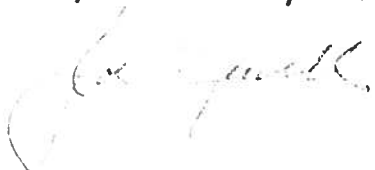
Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.



# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.



# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

OPTION 1: 600 485 customers

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

*Larry J. ...*

Bobby D. Patty Clerk

## 2013 Southside Water Association Annual Meeting

### CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1: *Willie Moore*

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

Kathleen Davenport (James)

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:



Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:

*Shirley Davis*

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

*Highland  
Grove*



# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

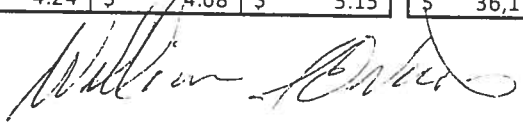
In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

### OPTION 1:



Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

### OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.

# 2013 Southside Water Association Annual Meeting

## CURRENT SITUATION:

Due to rising costs and a declining customer base Southside Water Association has been operating at a loss for the last five years. The Association's reserves have been depleted and within the past two years Southside has been unable to make its loan payment to Rural Development. To avoid foreclosure in 2011 the Board borrowed \$15,000 to make the payment. Southside could not make the 2012 payment and the 2013 payment is due in November. Southside is now 30 days from foreclosure proceedings being implemented.

In February 2013 we asked Kentucky Rural Water Association to perform a rate analysis and make recommendations to resolve our situation. Their analysis concludes; considering the age of the infrastructure (43 yrs) and needed improvements; that without a significant rate increase and growth of at least 15 customers annually, Southside would be better off consolidating with the City of Beattyville.

Southside Water Association Rate Schedule				Water Cost for Average Residential Customer (4,000 Gal.)			
Gallons	Current Rate	Proposed Rate	Next Five Years	Provider	Current Rate	Proposed Rate	Next Five Years
First 2,000	\$ 17.29	\$ 29.08	\$ 31.99	Southside	\$ 30.39	\$ 43.52	\$ 47.87
Next 4,000	\$ 6.55	\$ 7.22	\$ 7.94	Beattyville	\$ 33.18	\$ 33.18	\$ 36.50
Next 4,000	\$ 5.50	\$ 6.07	\$ 6.68				
Next 15,000	\$ 4.98	\$ 5.50	\$ 6.05				
Next 25,000	\$ 4.72	\$ 5.21	\$ 5.73				
Over 50,000	\$ 4.24	\$ 4.68	\$ 5.15				

Current Obligation and Needs			
Debt	Vendors	Meters/Pump	Total
\$ 36,170	\$ 4,000	\$ 18,800	\$ 58,970

## OPTION 1:

Implement a 41.5% revenue increase and borrow the money needed to avoid foreclosure. Additional money needs to be borrowed for water meter and pump replacement.

## OPTION 2:

Consolidate with the City of Beattyville to minimize the impact of future rates. Beattyville currently serves approximately 1,300 customers outside the city.



SOUTHSIDE WATER ASSOCIATION INC

ANNUAL MEETING

MARCH 26, 2013

BOARD MEMBERS: EUGENE BARRETT, GORDON TREADWAY, EDDIE RAY CORNETT,  
DENVARD PETERS, HERMAN GRIFFIN.

OTHERS: LIST ATTACHED.

MEETING OPEN AT 6:00 PM BY EUGENE BARRETT. WELCOME QUESTS AND MEMBERS.

MINUTES OF JUNE 12, 2012 –READ BY JEANNE GRIFFITH. NO QUESTIONS.

NEW BUSINESS

RATE INCREASE OR MERGE WITH BEATTYVILLE WATER WORKS

JOE BURNES – KENTUCKY RURAL WATER

RATE ANALYSIS HANDOUT GIVIN TO ALL PRESENT. COST OF METER REPLACEMENT ,PUMP REPLACEMENT,  
AND LOAN PAYMENTS.

QUESTION-WILLIAM EVANS-PRESSURE ON CAUDILL RD. CAUDILL ROAD PUMP NOT WORKING.

VERNON BROWN – RURAL DEVELOPMENT LOAN

LOAN NEEDS TO BE DPAIN OR ACTION TO FORCLOSE WILL BEGIN.

QUESTION – CHARLES CAUDILL JR. – RATES, HOW MANY METERS IN SYSTEM, HOW MANY ACTIVE.

ANSWER – JEANNE GRIFFITH – APROXIMATELY 600 METERS AND 485 ACTIVE.

JOE BURNES - METERS AND PUMPS ARE OLD, METERS SHOULD BE REPLACED EVERY 10 YEARS, THE SYSTEM IS  
50 PLUS YEARS OLD.

QUESTION -WILLIAM EVANS – WHO SAW THE PLANS FOR THE TANK PROJECT IN DECEMBER 2008? WHO SITS  
WHERE? BOARD MEMBERS SET AT FRONT TABLE AND I HAVE TO SET OVER HERE.

ANSWER – EDDIE RAY CORNETT – YOU SAW THE PLANS THE SAME TIME AS THE BOARD.

QUESTION – KATHY DAVENPORT – WHY IS THERE A CUSTOMER DECLINE AND WHY IS THE SYSTEM OPERATING  
AT A LOSS. ANSWER – DUE TO WATER LOSS AND METERS NOT WORKING.

QUESTION – LARRY TINCHER – WHAT IS THE CITY RATES? ANSWER – EUGENE BARRETT – CITY RATES ARE  
ABOUT THREE DOLLARS HIGHER THAN OUR CURRENT RATES.

QUESTION – BOBBY COLE – WILL THE CITY REPLACE THE PUMP ON CAUDILL ROAD TO INCREASE THE  
PRESSURE? ANSWER EUGENE BARRETT – YES.

WILLIAM EVANS – BOBBY COLE PRESSURE NOT HELPED BY THE NEW TANK, FIRE HYDRANT AND SIX INCH LINE  
A WASTE.

QUESTION – LARRY TINCHER- WHAT IS THE AVERAGE LIFE OF A SYSTEM?

QUESTION – SHIRLEY EVANS – WHY ARE SHUT OFFS DONE EVERY WEEK? ANSWER – JEANNE GRIFFITH – DISCONNECTS FOR NON-PAYMENT ARE DONE MONTHLY.

TERESA HEARLD – WHO DESIDES THE RATE INCREASE? ANSWER – EUGENE BARRETT – THE RATE INCREASE HAS TO BE FILED WITH THE PUBLIC SERVICE COMMISSION. THEY DESIDE THE AMOUNT OF THE INCREASE. THE CITY IS NOT UNDER THE PSC. IF RD FORCLOSES IT WILL BE SOLD AT COURT HOUSE.

WILLIAM EVANS - QUESTION TO BOARD MEMBERS DID YOU SEE THE CONTRACT.

QUESTION – JAMES HEARLD – DO YOU CHARGE FEES FOR DISCONNECTS? ANSWER – JEANNE GRIFFITH – WHEN SERVICE IS TURNED OFF FEES ARE ADDED.

QUESTION – SAM ARNOLD – WILL SOUTHSIDE WATER RECOVER? ANSWER- EUGENE BARRETT- YES IF WE CAN BORROW MONEY AND GET A RATE INCREASE.

QUESTION- CHARLES CAUDILL – WHAT ARE OUR OPTIONS? ANNUAL MEETINGS NO BODY SHOWS UP, BOARD MEETINGS, WE ONLY GO WHEN WE HAVE A PROBLEM.

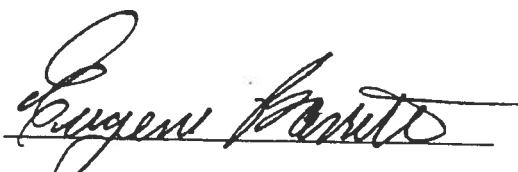
EUGENE BARRETT – OPTIONS – 1. KEEP THE SYSTEM AND BORROW MONEY AND RAISE RATES. 2. MERGE WITH THE CITY OF BEATTYVILLE. 3. RD FORCLOSES ON THE LOAN.

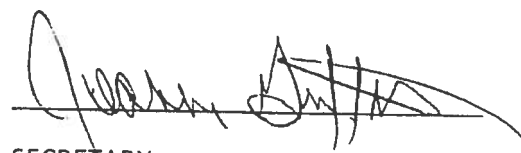
EUGENE BARRETT – PLEASE MARK THE HAND OUT TO VOTE AND GIVE THEM TO JOE BURNS.

JOE BURNS, JEANNE GRIFFITH – NINETEEN VOTES TURNED IN. OPTION 2- 11 MERGE WITH CITY, OPTION 1- 3 KEEP, UNSIGNED – 1, INVALID – 4. REASON FOR INVALID- NOT A MEMBER.

MOTION TO APPROVE THE MERGE WITH THE CITY OF BEATTYVILLE WATERWORKS BY GORDON TREADWAY, SECOND BY DENVARD PETERS, WITH ALL BOARD MEMBERS VOTING YES, MOTION CARRIED.

MOTION TO ADJOURN BY DENVARD PETERS, SECOND BY GORDON TREADWAY, MOTION CARRIED.

  
CHAIRMAN

  
SECRETARY



SOUTHSIDE WATER ASSOCIATION INC  
 ANNUAL MEETING  
 MARCH 26, 2013

PLEASE SIGN IN:

NAME

ADDRESS

PHONE

JOE NEWELL  
 HERMAN GRIFFIN  
 G. HANLEY  
 SUSAN BOWEN  
 MICHAEL BENT  
 STEVEY BARR  
 WENDY MOORE  
 GARDEN GREENWAY  
 ROBERTA PETERSON  
 DAN MILLER  
 GILLI GORRAN  
 JOHN HALL  
 KIMBERLY HALL  
 STEVE BEALEY  
 ANTHONY THORSE  
 HAROLD THORSE  
 KERRY FINCH  
 PAUL PERREY  
 JAMES B. JOHNSON  
 J. HANK CRADOCK JR  
 BILLY BROWN  
 KYLE BROWN  
 BILLY TAYLOR  
 DAVE GILLO  
 KATHY TAYLOR  
 BOBBY COLE

I

COUNCIL MEETING MINUTES

MUNICIPAL BUILDING

MONDAY, April 8<sup>TH</sup>, 2013

6:00 P.M.

Mayor Smith Present and Presiding

City Clerk, Sarah Judd, Terry Tipton, Accountant, Public Works Director, Doug Mays, Police Chief Greg Brandenburg, Sandy Lumpkins and Shakayla.

City Clerk, Sarah Judd called the roll. All Council Members were present at the meeting constituting a quorum.

Visitors in attendance were Bob Smith- Three Forks Tradition, Cheryle Walton & Edmond Shelby, Beattyville Enterprise, Dedra Brandenburg, and Sandy Dunahoo, Lisa Fox, and Ian Teal and Amy Selling with the Zipline at Cliffview.

Mayor Smith welcomed everyone to the meeting.

Councilman Adams gave the invocation.

Ms. Lisa Fox informed the Council about an effort to start a Three Forks River Festival on June 9. The Festival would be held on the river bottom on the back street. The Council gave permission to close the Street from the City Park to H & H Tire from 7:00 am till 6:00 pm.

Ms. Dedra Brandenburg along with Ian Teal and Any Selling from the Red River Gorge Zipline asked the Council if something could be worked out with the use of the Trolley to transport tourist to and from the Zipline. Issues of Insurance, CDL's and capability of the Trolley would have to be taken into consideration. No decision was made at this time.

Mayor Smith asked the council to review and approve the March 11th, 2013 meeting minutes. Councilman Cornelius made a motion to approve the prior month's meeting minutes. Seconded by, Councilwoman Hogan. All voted yes to the motion.

Mayor Smith told the Council that the City needed to have the Second Reading and Approve the Pay/Classification Plan Ordinance considering the price index and he was suggesting an adjustment of 1.7408 percent raise. This increase would only affect the minimum and maximum range on the pay scale. Councilman Cockerham made a motion to approve the Second Reading of the Pay/Classification Ordinance. Seconded by, Councilwoman Mays. All voted yes to the motion.

Mayor Smith recommended to the Council to renew the lease to Habitat of Humanity, the old City Hall building for a dollar per year. Councilman Adams made a motion to renew the lease for Habitat for Humanity for a year for \$1.00. Seconded by, Councilwoman Hogan. All voted yes to the motion.

Mayor Smith informed the Council that City Clerk, Sarah Judd, would be retiring May 1<sup>st</sup> and her last day to work would be April 26. He told the Council that he would like to appoint Terry Tipton, Deputy City Clerk to the position beginning April 29, 2013. Councilman Adams made a motion to appoint Terry Tipton as City Clerk beginning April 29, 2013. Councilman Cockerham seconded the motion. All voted yes to the motion.



Mayor Smith informed the Council that he had met with Southside Water Board and Rural Development concerning the acquisition of the City acquiring Southside Water. He told the Council that Southside had 480 customers and no equipment with a debt of \$357,000. The debt could be refinanced by Rural Development at a rate of 2.4% for a 40 year period. The City would need to invest approximately \$150-200 thousand dollars to replace meters, set up computer software and the possibility of replacing one pump. Mayor Smith said that Southside had some issues that would need to be taken care of before the merge. If the City doesn't buy the system there are two options (1) Southside would have to increase it rates drastically or (2) Rural Development could foreclose and sell to another system. If everything is taken care of the merge could be as soon as July. Mayor Smith said that the City could later include the area of Farmer's Ridge to Jackson Co. Councilman Cornelius made a motion for the Mayor to go ahead and get the process in motion and sign all documents required by Rural Development, with the stipulation that Southside have met all requirements. Seconded by, Councilwoman Mays. All voted yes to the motion.

Mayor Smith informed the Council that he and Terry Tipton had been working on the 2013 Budget and would like to have it ready for the First Reading in May. Mayor Smith told the Council that he would like to have a budget working special meeting before the first reading in May. The Second Reading will be at the June meeting. The date set for the Special Budget Meeting is Wednesday, April 17, at 4:30pm.

Terry Tipton, City Accountant, gave the Treasurer's Report.

Doug Mays-None

Chief Brandenburg had no report for this month.

Mayor Smith asked each Council member if he/she had any concerns they wished to bring up.

Mr. Cornelius –Said that he was glad to see the Police back at the Crosswalk, and the new Gazebo at the Museum looks nice.

Mrs. Hogan – Someone asked about the Proctor Sewer Project. Mayor Smith said that there are issues with the infrastructure that need to be attended to before a new project can be implemented.

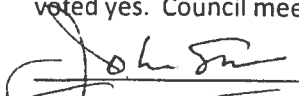
Mr. Adams – None


Mrs. Mays – Stated that the DBA would be sponsoring a "Crusin" on April 26, at 6:30 pm

Mr. Begley –Glad to see Police back at Crosswalk. He asked about when some patching would be done at Booge Jones' on Mitchell Street. Doug said in a month or so.

Mr. Cockerham –Asked about when the bids for Streetscape Phase II bids would be opened. Mayor Smith said that the bids would be opened Friday, April 12 at 2:00 pm.

A motion to adjourn was made by Councilman Cockerham and seconded by Councilman Begley. All voted yes. Council meeting adjourned at 7:45 p.m.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Attest

\_\_\_\_\_  
5/13/13 Date

\_\_\_\_\_  
5/13/13 Date



SOUTHSIDE WATER ASSOCIATION INC  
BOARD MEETING  
JUNE 11, 2013

BOARD MEMBERS: EUGENE BARRETT, GORDON TREADWAY, DENVARD PETERS,  
EDDIE RAY CORNETT, HERMAN GRIFFIN.  
OTHERS: JEANNE GRIFFITH.

MEETING OPEN AT 10:10 PM BY EUGENE BARRETT.

MINUTES OF APRIL 2, 2013 –MOTION BY EDDIE R CORNETT, SECOND BY HERMAN FRIFFIN, MOTION CARRIED.

FINANCIAL REPORTS FOR APRIL AND MAY 2013 – MOTION BY DEVNARD PETERS, SECOND BY EUGENE BARRETT, MOTION CARRIED.

A MOTION BY GORDON TREADWAY TO APPROVE THE ACQUISITION AGREEMENT FROM THE CITY OF BEATTYVILLE SUBJECT TO ANY MINOR CHANGES AND SUCH CHANGES BEING FINALIZED UPON EXECUTION BY THE CHAIRMAN OF THE BOARD AND FOR THE CHAIRMAN TO EXECUTE THE ACQUISITION AGREEMENT, THE PSC APPLICATION, AND ANY OTHER DOCUMENTS RELATED TO THE ACQUISITION OF THE SYSTEM BY THE CITY OF BEATTYVILLE. MOTION SECOND BY DENVARD PETERS, WITH ALL VOTING YES, MOTION CARRIED.

ART FOX – SYSTEM OWES HIM A METER.

LEAK – KAREN HALL – MAKE ADJUSTMENT. MOTION BY DENVARD PETERS, SECOND BY EUGENE BARRETT, MOTION CARRIED.

THOMAS HALL – WANTS A FIRE HYDRANT SET NEXT TO HIS PROPERTY. HIS LINE IS TOO SMALL FOR A HYDRANT.

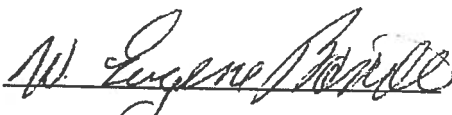
LIABILITIES – PAY PAST DUE AND PAY WORKERS COMP BY PHONE, MOTION BY EUGENE BARRETT, SECOND BY GORDON TREADWAY, MOTION CARRIED.

PSC REPORT 2012 – REPORT SENT MAY 31, 2013.

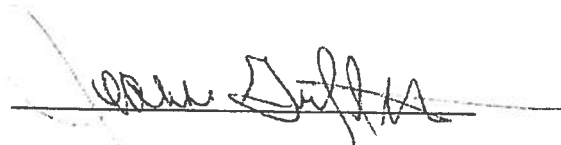
AUDIT 2012 –A DRAFT IS AVAILABLE IN THE OFFICE. FINAL SHOULD BE READY NEXT WEEK.

OFFICE CLOSED JUNE 25, 2013 -JEANNE GRIFFITH TO BE OFF DUE TO DOCTORS APPOINTMENT .

MOTION TO ADJOURN BY EUGENE BARRETT, SECOND BY DENVARD PETERS, MOTION CARRIED.



CHAIRMAN



SECRETARY

K

BEATTYVILLE CITY COUNCIL SPECIAL MEETING  
WATER RATE ORDINANCE AMENDMENT  
SOUTHSIDE WATER ACQUISITION AGREEMENT

MONDAY, JUNE 24<sup>TH</sup>, 2013

5:30 P.M.

Mayor Smith Present and Presiding

City Clerk/Treasurer, Terry Tipton

City Clerk, Terry Tipton called the roll. Council Members present at the meeting were Councilman Adams, Councilman Cockerham, Councilman Cornelius, Councilman Begley, and Councilwoman Hogan. Councilwoman Mays was absent. All members present constituted a quorum.

Visitors in attendance: Bob Smith – Three Forks Tradition, Edmund Shelby – Beattyville Enterprise

Mayor Smith welcomed everyone to the meeting.

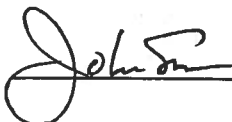
The Mayor informed the Council that Southside Water had met and approved the acquisition agreement. He also informed them that an employee of Southside Water had filed a "Mechanics Lien" against the Southside Water Association for \$6,617.00, for work performed from September 2010 to February 2013. The Mayor said he had consulted with Vernon Brown at the USDA Rural Development and also the Public Service Commission. He was assured by both organizations that the lien does not affect the progress of the acquisition procedure. The Mayor suggested letting the Attorney's work it out.

The Mayor informed the Council that there was no other pending litigation against the Southside Water Association.

A motion was made by Councilman Adams to approve the Southside Water Association acquisition agreement. The motion was seconded by Councilman Cockerham. All voted yes, motion passed.

The second reading of the amendment to the July 1, 2011 water rate ordinance was done. No changes were made since the first reading. A motion was made by Councilman Cockerham to accept the amendment. The motion was seconded by Councilman Cornelius. All voted yes, motion passed.

A motion to adjourn was made by Councilman Cockerham and seconded by Councilwoman Hogan. All voted yes. Council meeting adjourned at 5:38 p.m.

  
\_\_\_\_\_, Mayor

7/8/13 Date

  
\_\_\_\_\_, Attest

7/8/13 Date

L

## ACQUISITION AGREEMENT

**THIS ACQUISITION AGREEMENT** (the “Agreement”), dated as of July 1, 2013, is made and entered into by and between the Southside Water, Inc., also known as Southside Water Association, Inc. (“Southside”) and the City of Beattyville, Kentucky (“Beattyville”).

WHEREAS, Southside is a non-profit water association of Lee County, Kentucky, formed in accordance with Chapter 273 of the Kentucky Revised Statutes to provide water service to the members of Southside; and

WHEREAS, Beattyville is a municipal corporation of the Commonwealth of Kentucky and owns and operates a municipal water system (the “Beattyville System”) and serves customers inside and outside the corporate boundaries of Beattyville; and

WHEREAS, Southside currently has outstanding a promissory note payable to the United States of America, Department of Agriculture (“USDA”), dated November 18, 2008, in the original principal amount of \$344,000 (the “USDA Note”), the proceeds of which were used to finance the construction of extension, additions and improvements to the existing water distribution system of Southside (the “Southside System”); and

WHEREAS, the USDA Note is secured by a mortgage lien on the Southside System by virtue of a Real Estate Mortgage For Kentucky, dated November 18, 2008 (the “USDA Mortgage”), of record in Mortgage Book 97, Page 221, in the office of the Clerk of Lee County, Kentucky; and

WHEREAS, Southside has not made the required principal and interest payments under the USDA Note and is therefore in default under the terms of said USDA Note; and

WHEREAS, Southside held its annual meeting on March 26, 2013 and at said meeting, after providing the duly required notice to its’ members stating that a possible merger of the Southside

System with the Beattyville System would be discussed, a vote was taken by the members in attendance to either raise the Southside water rates by an amount sufficient to operate the Southside System and make the payments on the USDA Note, or to consolidate the Southside System with the Beattyville System; and

WHEREAS, the members' votes were counted and the results were eleven votes to consolidate the Southside System with the Beattyville System and three votes to raise the Southside water rates; and

WHEREAS, upon the compilation of the members' votes, the Board of Directors of Southside (the "Board") voted unanimously to approve the consolidation of the Southside System with the Beattyville System; and

WHEREAS, the Beattyville City Council (the "Council") met at a regular meeting held on April 8, 2013 and discussed the Southside situation and after said discussion, a motion was made, seconded and it was unanimously approved that the Mayor of Beattyville proceed with the acquisition of the Southside System and sign all necessary documents required by USDA, with the stipulation that Southside meet any and all of USDA requirements as to the acquisition; and

WHEREAS, the Council adopted a Resolution on May 13, 2013 authorizing the Mayor to prepare and file an application for funding from USDA to provide monies to repay the USDA Note through the issuance by Beattyville of its revenue bonds, which bonds would be purchased by USDA; and

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein set forth, Southside and Beattyville do hereby agree and covenant as follows:



**1. ACQUISITION OF THE SOUTHSIDE SYSTEM BY BEATTYVILLE**

Southside and Beattyville hereby agree that Beattyville shall acquire the Southside System and Southside and Beattyville will promptly take all necessary legal and corporate actions to effect the acquisition including petitioning the Kentucky Public Service Commission (“PSC”) for approval of the acquisition and obtaining the consent of USDA.

Temporary operation of the Southside System by Beattyville shall commence as of the date of this Agreement in accordance with the terms and provisions of this Agreement. Beattyville shall temporarily operate the Southside System until the acquisition is finalized and approval of the PSC and USDA is obtained. Beattyville shall collect monthly water service payments from the Southside customers, and Beattyville shall pay the monthly bills of Southside from funds collected for it and shall assume the day to day operation and maintenance the Southside System. Beattyville shall keep a separate account of its temporary operation of the Southside System and shall only be required to make monthly financial reports (revenues and expenses) to the Board during the temporary operation of the Southside System.

To effect this Agreement and the temporary operation of the Southside System, Southside will immediately supply Beattyville with an inventory of all its real and personal property including customer lists with locations of residents, its accounts receivable and copies of any deeds and leases.

Upon the issuance of an order of the PSC approving the acquisition contemplated by this Agreement and the consent of USDA, Southside and Beattyville shall take any and all necessary action to close the transaction. Beattyville agrees to issue its revenue bonds in an amount sufficient to retire and repay all outstanding amounts due under the USDA Note, provided such revenue bonds are purchased by USDA. A copy of the USDA Note is attached hereto and incorporated herein by

reference as **Exhibit A**. Southside's list of deeds, leases to real property and items of personal property is attached hereto and incorporated herein by reference as **Exhibit B**. Southside's billings, payments received and payments made for January through June, 2013 are attached hereto and incorporated herein by reference as **Exhibit C**. Southside's current customer list with locations has been provided to Beattyville, along with a list of inactive customers with delinquent status.

On and after the date of closing of the acquisition, Beattyville agrees to charge customers of the Southside System the outside city limits water rates currently in effect (a copy of said rates is attached hereto and incorporated herein by reference as **Exhibit D**), subject to the right of Beattyville to increase said water rates as hereinafter provided.

**2. CONSIDERATION: CLOSING**

Southside and Beattyville agree that the effective date of the acquisition shall be the date of issuance of the PSC Order approving same, provided the consent of USDA has been obtained. Closing and permanent delivery of possession of real and personal property shall occur within 60 days following the date of approval of the acquisition by the PSC, provided, however, that should circumstances arise causing a delay in the closing and issuance of Beattyville's revenue bonds, the parties hereto reserve the right to delay said closing. At closing, Southside shall deliver to Beattyville general warranty deeds conveying the fee simple and easement interests described in Exhibit B, along with a general assignment of all easement interests owned by Southside that relate to or facilitate the operation of the Southside System, whether recorded or unrecorded. Southside also agrees to provide any necessary bills of sale to Beattyville concerning personal property owned by Southside.

It is understood and agreed by and between Southside and Beattyville that as of the date of this Agreement, Beattyville has taken over the sole operation and maintenance of the Southside System and Beattyville has the sole right to make all decisions concerning the Southside System in accordance with the PSC approved Rules and Regulations of the Southside System.

Beattyville represents that it has knowledge of the fact that Southside is in default on its obligations under the USDA Note. The Southside obligations under the USDA Note are being repaid by Beattyville through the proceeds of the revenue bonds being purchased by USDA. Beattyville also has knowledge of an outstanding loan to Southside from a local bank (the "Bank Loan"), the proceeds of which were used to pay a portion of the debt service payment under the USDA Note. A copy of the promissory note representing the Bank Loan is attached hereto and incorporated herein by reference as **Exhibit E**. Beattyville shall not be liable for any payments due and owing under the USDA Note and the Bank Loan pending approval of the acquisition by the PSC and USDA, and a successful closing of the transaction.

### **3. OPERATION OF SYSTEM**

Pending the closing and delivery of any required acquisition documentation, Beattyville agrees to operate and maintain the Southside System in accordance with the terms of this Agreement and will bill on a monthly basis and collect revenues from the Southside customers and pay Southside's monthly expenses for operation of the Southside System. Beattyville shall begin reading all Southside water meters as of the date of this Agreement.

### **4. ACCOUNT DEPOSITS**

Southside agrees to provide an accounting of any and all customer security deposits to Beattyville and shall transfer same to Beattyville at the closing.

**5. RATES**

Beattyville represents and warrants that following approval of the acquisition by the PSC and USDA, future increases in the water rates charged to the current water customers of the Southside System will be tied directly to increases imposed on the resident and nonresident customers of Beattyville with increases to be measured on an absolute dollar per gallon basis and not as a percentage.

Finally, notwithstanding any provision in this Agreement to the contrary, Beattyville shall be permitted to increase water rates at any time to the extent required to comply with any guidelines established by federal or state law or any existing or future bond issues or loans.

**6. BINDING AGREEMENT**

The parties hereto agree that Southside and Beattyville will, upon execution of this Agreement, have substantial property rights, interests and liabilities in this Agreement and that neither party may withdraw from this Agreement without the written consent of the other party.

**7. REPRESENTATIONS AND WARRANTIES**

Each party represents and warrants to the other party and acknowledges that the other party relies on such representations and warranties in entering into and proceeding under this Agreement, that:

**A. CONSENTS:**

No provision of any Articles of Incorporation, By-Laws, Ordinances, Orders, Resolutions, Trust Agreements, Mortgages, Indentures, Bond Issues or other agreement or instrument to which either Southside or Beattyville is a party or by which either is bound or to which either or any of its

properties is subject requires the consent or authorization of any other person or entity as a condition precedent to the consummation of the transactions contemplated by this Agreement, except for the USDA Note and USDA Mortgage.

**B. EXISTING DEBT:**

Southside represents that there is no debt encumbering the assets that are the subject of this Agreement other than the USDA Note and the Bank Loan. Southside agrees to provide written notice to Beattyville of any indebtedness incurred by Southside from the date of this Agreement to the date of closing.

**C. VALID EASEMENTS:**

Southside represents that it owns, and pursuant to this Agreement and approval by the PSC and USDA, will transfer to Beattyville, valid fee simple title or an easement to each parcel of real estate over or on which any water main, pump station, water plant, water tank or the like that is part of the Southside System.

**D. NO PENDING LITIGATION:**

Southside represents that as of the date of this Agreement, no controversy or litigation is pending, prayed or threatened involving the creation, organization, existence or boundaries of Southside, or the title of any of its officers to their respective positions, or the power and authority of Southside to own and operate the Southside System as a revenue-producing undertaking.

**8. CIRCUMSTANCES PRIOR TO CLOSING**

From the date of this Agreement until the closing date, each party will promptly notify the other party upon receipt of actual notice or knowledge of any fact which would make any representation or warranty contained in this Agreement untrue in any material respect.

**9. CONTINGENCIES**

Beattyville's obligations under this Agreement to accept delivery of assets is specifically contingent on the satisfaction of the following contingencies:

- A. Consent from USDA, as owner of the USDA Note;
- B. Consent from any and all debt holders of Southside; and
- C. Approval of the acquisition by the PSC.

**10. NOTICE**

Any notice given pertaining to this Agreement shall be effective if mailed to the party to whom said notice is to be given at the following address, with said mailing to be sent by certified mail, return receipt requested or hand delivered to the other party in writing and signed by the parties' employee agent. Each party may designate in writing a different address to be used for the providing of notices.

First Party: Southside Water Association, Inc.  
P.O. Box 1007  
Beattyville, Kentucky 41311

Second Party: City of Beattyville, Kentucky  
P.O. Box 307  
Beattyville, Kentucky 41311

**11. MISCELLANEOUS**

This Agreement is binding on the successors and assigns of the parties hereto and this Agreement may be amended only by written agreement of the parties. This Agreement contains the entire agreement of the parties and no verbal representations or warranties have been given that are nor included herein in writing.

**12. SURVIVAL OF WARRANTIES**

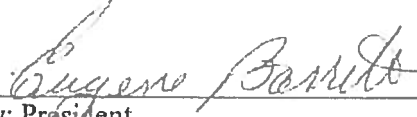
The warranties, indemnifications and agreements contained herein shall survive the closing on this transaction.

**13. AUTHORITY OF THE PARTIES**

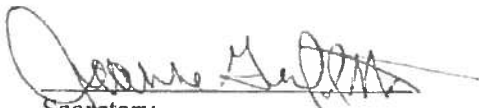
The parties agree that Southside, by its unanimous vote of its Board at the annual meeting held on March 26, 2013, approved the basis of this Agreement and that Beattyville, by Resolution of its Council, approved the basis of this Agreement on April 8, 2013.

WITNESS, the hands of the parties hereto on this year and date first above written.

SOUTHSIDE WATER ASSOCIATION, INC.  
FIRST PARTY

  
By: President

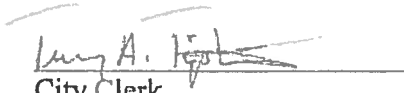
ATTEST:

  
Secretary

CITY OF BEATTYVILLE, KENTUCKY  
SECOND PARTY

  
By: Mayor

ATTEST

  
City Clerk



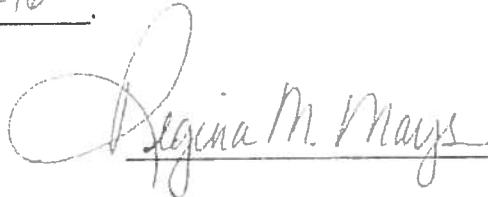


COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF LEE )

On this 25<sup>th</sup> day of June, 2013, personally appeared before the undersigned, a Notary Public in and for the State and County aforesaid, John Smith, Mayor and <sup>Terry Tipton</sup>~~Sarah Judd~~, City Clerk, personally known to me and personally known by me to be such officers of the City of Beattyville, Kentucky (the "City"), and to be the same persons who executed as such officers, respectively, the within and foregoing Agreement, and such persons duly acknowledged before the undersigned the execution of the same to be their act and deed and the act and deed of said City for the uses and purposes therein stated, duly authorized by Resolution of the City.

WITNESS my signature this 25<sup>th</sup> day of June, 2013.

My commission expires: 9-13-16.



Notary Public

M

CITY OF BEATTYVILLE  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF NET ASSETS  
At June 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS:</u>		
Cash	27,809	57,864
Investments	-	7,988
Accounts Receivable		
Operations (net of allowance for uncollectible of \$6,844 and \$6,668)	164,652	151,479
Interest	401	538
Other	7,144	-
Inventory	<u>56,548</u>	<u>53,205</u>
<u>Total current assets</u>	<u>256,554</u>	<u>271,074</u>
<u>RESTRICTED ASSETS:</u>		
Depreciation fund - cash	10,847	12,018
Deposit on fee accounts	62,220	61,092
Pump replacement reserve	24,420	50,708
Bond and interest	187,355	252,990
Sewer reserve	3,000	-
Garbage truck reserve	6,949	13,332
Depreciation reserve	<u>31,177</u>	<u>30,171</u>
<u>Total restricted assets</u>	<u>325,968</u>	<u>420,311</u>
<u>UTILITY PLANT:</u>		
Land, easements and right-of-ways	503,088	503,088
In service plant, equipment and improvements	<u>19,616,852</u>	<u>18,859,859</u>
<u>Total</u>	20,119,940	19,362,947
<u>LESS:</u> Accumulated depreciation	<u>7,311,632</u>	<u>6,891,838</u>
<u>Utility plant - net</u>	<u>12,808,308</u>	<u>12,471,109</u>
<u>Total assets</u>	<u>13,390,830</u>	<u>13,162,494</u>

See notes to the financial statements

CITY OF BEATTYVILLE  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF NET ASSETS  
At June 30, 2011 and 2010

<u>LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS (DEFICIT)</u>	<u>2011</u>	<u>2010</u>
<u>CURRENT LIABILITIES:</u>		
<u>Payable from Current Assets:</u>		
Accounts payable	47,004	43,056
Accrued liabilities	27,152	27,756
Due to general fund	-	15,908
	<u>                    </u>	<u>                    </u>
Total current liabilities		
<u>payable for current assets</u>	<u>74,156</u>	<u>86,720</u>
 <u>CURRENT LIABILITIES:</u>		
<u>Payable from Restricted Assets:</u>		
Revenue bonds payable	106,500	102,500
Customer deposits	64,400	66,600
Note Payable	26,325	305,351
	<u>                    </u>	<u>                    </u>
Total current liabilities		
<u>payable from restricted assets</u>	<u>197,225</u>	<u>474,451</u>
 <u>LONG TERM DEBT:</u>		
Note Payable	42,716	24,060
Revenue Bonds Payable, Less Current Portion	4,372,500	4,077,000
	<u>                    </u>	<u>                    </u>
<u>Total long term debt</u>	<u>4,415,216</u>	<u>4,101,060</u>
 <u>FUND NET ASSETS:</u>		
Investments in fixed assets, net of related debt	8,260,267	7,978,912
 Net Assets		
Unreserved	117,998	101,040
Reserved	325,968	420,311
	<u>                    </u>	<u>                    </u>
<u>Total fund net assets</u>	<u>8,704,233</u>	<u>8,500,263</u>
<u>Total liabilities and net assets</u>	<u>13,390,830</u>	<u>13,162,494</u>

See notes to the financial statements

CITY OF BEATTYVILLEWATER AND SEWER FUNDCOMPARATIVE STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETSFor the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUE:</u>		
Water, sewer and garbage service	1,589,035	1,606,577
Other revenue	<u>73,149</u>	<u>79,343</u>
<u>Total</u>	<u>1,662,184</u>	<u>1,685,920</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>		
Personnel services	570,430	595,169
Supplies and material	335,929	357,167
Contractual services	409,135	359,630
Miscellaneous	<u>12,028</u>	<u>13,822</u>
<u>Total</u>	<u>1,327,522</u>	<u>1,325,788</u>
Operating income before depreciation	334,662	360,132
<u>Less: Depreciation</u>	<u>517,583</u>	<u>493,833</u>
<u>Net operating income (loss)</u>	<u>(182,921)</u>	<u>(133,701)</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>		
Interest income	2,989	931
Interest expense	(188,426)	(136,472)
Transfers in (out)	<u>(89,568)</u>	<u>11,757</u>
<u>Total non-operating income (expenses)</u>	<u>(275,005)</u>	<u>(123,784)</u>
<u>Net income (loss)</u>	<u>(457,926)</u>	<u>(257,485)</u>
FUND NET ASSETS - BEGINNING - RESTATED	8,500,263	8,757,748
Contributed capital	<u>661,896</u>	<u>-</u>
<u>FUND NET ASSETS - ENDING</u>	<u>8,704,233</u>	<u>8,500,263</u>

See notes to the financial statements

CITY OF BEATTYVILLE  
WATER AND SEWER FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users	1,646,948	1,695,610
Payments to suppliers	(755,681)	(704,018)
Payments to employees	(578,177)	(592,478)
<u>Net cash provided by operating activities</u>	<u>313,090</u>	<u>399,114</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers (out) in	(89,568)	11,757
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	(884,893)	(309,305)
Disposal of capital assets	30,111	-
Principal paid on notes and bonds	(409,481)	(126,519)
Proceeds from notes and bonds	431,896	295,767
Interest paid on bonds and note	(188,426)	(136,472)
Contributed capital	661,896	-
<u>Net cash used for capital and related financing activities</u>	<u>(358,897)</u>	<u>(276,529)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	2,989	931
<u>Net cash (used)/provided from investing activities</u>	<u>2,989</u>	<u>931</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(132,386)</u>	<u>135,273</u>
<u>CASH AND RESTRICTED CASH, JULY 1</u>	<u>486,163</u>	<u>350,890</u>
<u>CASH AND RESTRICTED CASH, JUNE 30</u>	<u>353,777</u>	<u>486,163</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	(182,921)	(133,701)
Adjustments to reconcile operating net cash provided by operating activities		
Depreciation	517,583	493,833
Restatement of net assets	16,715	-
Changes in assets and liabilities		
(Increase) decrease in current receivable	(20,180)	9,390
(Increase) decrease in inventory	(3,343)	(6,395)
(Increase) decrease in prepaid insurance	-	44,345
Increase (decrease) in accounts payable	(11,961)	(11,349)
Increase (decrease) in accrued liabilities	(603)	2,691
Increase (decrease) in customer deposits	(2,200)	300
<u>Net cash provided by operations</u>	<u>313,090</u>	<u>399,114</u>

See notes to the financial statements

CITY OF BEATTYVILLE  
WATER AND SEWER FUND  
COMPARATIVE STATEMENTS OF NET ASSETS  
At June 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS:</u>		
Cash	48,212	27,809
Accounts Receivable		
Operations (net of allowance for uncollectible)	164,624	164,652
Interest	187	401
Other	25,849	7,144
Inventory	<u>52,338</u>	<u>56,548</u>
<u>Total current assets</u>	<u>291,210</u>	<u>256,554</u>
<u>RESTRICTED ASSETS:</u>		
Restricted cash	<u>514,290</u>	<u>368,974</u>
<u>UTILITY PLANT:</u>		
Land, easements and right-of-ways	311,309	311,309
Construction in progress	658,580	-
In service plant, equipment and improvements	<u>19,830,873</u>	<u>19,808,631</u>
<u>Total</u>	20,800,762	20,119,940
<u>LESS: Accumulated depreciation</u>	<u>7,833,598</u>	<u>7,311,632</u>
<u>Utility plant - net</u>	<u>12,967,164</u>	<u>12,808,308</u>
<u>Total assets</u>	<u>13,772,664</u>	<u>13,433,836</u>

See notes to the financial statements



## CITY OF BEATTYVILLE

## WATER AND SEWER FUND

## COMPARATIVE STATEMENTS OF NET ASSETS (CONTINUED)

At June 30, 2012 and 2011

<u>LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS (DEFICIT)</u>	<u>2012</u>	<u>2011</u>
<u>CURRENT LIABILITIES:</u>		
<u>Payable from Current Assets:</u>		
Accounts payable	100,645	47,004
Accrued liabilities	27,586	27,152
	<u>128,231</u>	<u>74,156</u>
<u>Total current liabilities payable for current assets</u>		
<u>CURRENT LIABILITIES:</u>		
<u>Payable from Restricted Assets:</u>		
Revenue bonds payable	118,000	106,500
Customer deposits	82,000	64,400
Note Payable	110,173	26,325
	<u>310,173</u>	<u>197,225</u>
<u>Total current liabilities payable from restricted assets</u>		
<u>LONG TERM DEBT:</u>		
Note Payable	49,030	42,716
Revenue Bonds Payable, Less Current Portion	4,248,500	4,372,500
	<u>4,297,530</u>	<u>4,415,216</u>
<u>Total long term debt</u>		
<u>FUND NET ASSETS:</u>		
Investments in fixed assets, net of related debt	8,441,461	8,260,267
<u>Net Assets</u>		
Unrestricted	80,979	117,998
Restricted	514,290	368,974
	<u>9,036,730</u>	<u>8,747,239</u>
<u>Total fund net assets</u>		
<u>Total liabilities and net assets</u>		
	<u>13,772,664</u>	<u>13,433,836</u>

See notes to the financial statements

CITY OF BEATTYVILLEWATER AND SEWER FUNDCOMPARATIVE STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETSFor the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>OPERATING REVENUE:</u>		
Water, sewer and garbage service	1,665,121	1,589,035
Other revenue	<u>89,509</u>	<u>73,149</u>
<u>Total</u>	<u>1,754,630</u>	<u>1,662,184</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>		
Personnel services	579,353	570,430
Supplies and material	311,678	335,929
Contractual services	515,232	409,135
Miscellaneous	<u>4,485</u>	<u>12,028</u>
<u>Total</u>	<u>1,410,748</u>	<u>1,327,522</u>
Operating income before depreciation	343,882	334,662
<u>Less: Depreciation</u>	<u>521,966</u>	<u>517,583</u>
<u>Net operating income (loss)</u>	<u>(178,084)</u>	<u>(182,921)</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>		
Interest income	1,582	2,989
Interest expense	(193,349)	(188,426)
Transfers in (out)	<u>35,762</u>	<u>(89,568)</u>
<u>Total non-operating income (expenses)</u>	<u>(156,005)</u>	<u>(275,005)</u>
<u>Net income (loss)</u>	<u>(334,089)</u>	<u>(457,926)</u>
FUND NET ASSETS - BEGINNING - RESTATED	8,747,239	8,543,269
Contributed capital	<u>623,580</u>	<u>661,896</u>
<u>FUND NET ASSETS - ENDING</u>	<u>9,036,730</u>	<u>8,747,239</u>

See notes to the financial statements

CITY OF BEATTYVILLEWATER AND SEWER FUNDCOMPARATIVE STATEMENT OF CASH FLOWSFor the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users	1,710,761	1,689,954
Payments to suppliers	(730,538)	(755,681)
Payments to employees	(578,919)	(578,177)
<u>Net cash provided/(used) by operating activities</u>	<u>401,304</u>	<u>356,096</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Operating transfers (out) in	<u>35,762</u>	<u>(89,568)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	(680,822)	(884,893)
Disposal of capital assets	-	30,111
Principal paid on notes and bonds	(139,211)	(409,481)
Proceeds from notes and bonds	116,873	431,896
Interest paid on bonds and note	(193,349)	(188,426)
Contributed capital	<u>623,580</u>	<u>661,896</u>
<u>Net cash provided/(used) for capital and related financing activities</u>	<u>(272,929)</u>	<u>(358,897)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	<u>1,582</u>	<u>2,989</u>
<u>Net cash provided/(used) from investing activities</u>	<u>1,582</u>	<u>2,989</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	165,719	(89,380)
<u>CASH AND RESTRICTED CASH, JULY 1</u>	<u>396,783</u>	<u>486,163</u>
<u>CASH AND RESTRICTED CASH, JUNE 30</u>	<u>562,502</u>	<u>396,783</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income/(loss)	(178,084)	(182,921)
Adjustments to reconcile operating net cash provided by operating activities		
Depreciation	521,966	517,583
Restatement of net assets		59,721
Changes in assets and liabilities		
(Increase) decrease in current receivable	(18,463)	(20,180)
(Increase) decrease in inventory	4,210	(3,343)
Increase (decrease) in accounts payable	53,641	(11,960)
Increase (decrease) in accrued liabilities	434	(604)
Increase (decrease) in customer deposits	<u>17,600</u>	<u>(2,200)</u>
<u>Net cash provided by operations</u>	<u>401,304</u>	<u>356,096</u>

See notes to the financial statements

N

**Exhibit N - Beattyville Licensed Operators**

Lester Ray Crabtree - Sewer Class II (#24395); Water Class IIIA (#24401)

Gary Howell - Water Class IIIA (#14411); Water Distribution Class II (#15783)

Anthony Snowden - Water Class IIIA (#13606)

Timothy Brandenburg - Water Class IIIA (#24390)

Wallace Todd - Water Distribution Class II (#25230)

Billie S. Carson - Sewer Collection Class II (#25270)



**Beattyville Waterworks  
Water Rates**

Effective July 1<sup>st</sup>, 2011 the Beattyville Waterworks water rates will be as follows:

**Inside City Limits**

First 2,000 gallons	\$13.50
Next 1,000 gallons	\$6.10
Next 3,000 gallons	\$5.40/1,000 gal.
All over 6,000 gallons	\$4.50/1,000 gal.

---

**Outside City Limits**

First 2,000 gallons	\$17.00
Next 1,000 gallons	\$7.15
Next 3,000 gallons	\$5.80/1,000 gal.
All over 6,000 gallons	\$4.50/1,000 gal.

---

**Phase III Water Line Customers**

First 2,000 gallons	\$19.10
Next 1,000 gallons	\$8.60
Next 3,000 gallons	\$7.95/1,000 gal.
All over 6,000 gallons under 494,000 gallons	\$7.15/1,000 gal.
Over 494,000 gallons	\$4.50/1,000 gal.

---

All of the rates set forth herein above shall be adjusted for the change in the Consumer Price Index as maintained and reported by the United States Department of Labor and as reported to all local governments by the Kentucky Department for Local Government (DLG) in February of each year for the preceding calendar year. The percentage of increase as set forth in the letter from DLG shall be applied to the above rate table(s) to develop the new rates to be used. The initial implementation of the automatic rate increase shall become effective and be used for the billings mailed on or about April 1<sup>st</sup>, 2014. For all future years, the increase shall be effective and be used with the billings mailed on or about April 1 of each subsequent year. The increase in rates regardless of the Consumer Price Index increase, may not exceed three (3%) percent in any one year without full vote of the City Council.

Motion made by: Sam Cockerham

Seconded by: Richard Adams

First Reading Date: June 10, 2013

Seconded Reading Date: June 24, 2013

Mayor \_\_\_\_\_

Date \_\_\_\_\_

Attest Tony A. [Signature]

Date 6/24/13