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June 1, 2007

RECEIVED

JUN 01 2007

PUBLIC SERVICE
COMMISSION

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

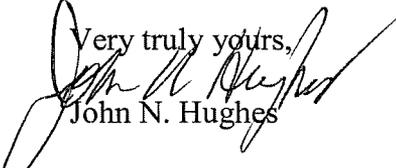
Re: Case 2006-00327

Dear Beth:

Pursuant to the final order in this case, the Joint Applicants provide the attached responses to the Commission's conditions to closing of the transaction. Except for the final financial report from Sandy Valley Water District required in item 8, the applicants believe all other information is provided and all necessary actions completed. The financial report is being prepared and is expected to be filed by June 30, 2007. A copy of this response has been mailed to the intervenors - Attorney General and the city of Prestonsburg.

If there are any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

Attorney for Joint Applicants

The following is a delineation of actions taken by the Applicants, or on behalf of the Applicants by others, including reference to and copies of documents produced by the Applicants or by others, included as exhibits, with specific reference to the Ordering paragraphs set out and beginning on page 13 of the Commission's Order dated 1-22-07 in the case referenced above.

Commission:

"1. The proposed transfer of Sandy Valley District's facilities to Southern District and Pikeville, as described in the Joint Application and the Joint Applicants' responses to discovery requests, is approved subject to the conditions set forth below:

a. The transfer shall not occur until Rural Development and the U.S. Economic Development Administration has approved Sandy Valley District's delegation of all obligations arising out of its outstanding debt to Pikeville and Southern District and releases Sandy Valley District of all obligations related to that debt."

Applicant Action:

Re: RD Bonds

- 1. All Applicants signed a memorandum directed to Rural Utilities Service-USDA-Rural Development (RD) (attached as Exhibit 1.a.1) requesting approval of debt assignment and assumption.*
- 2. Southern and Pikeville retained bond counsel (Mr. W. Randall Jones, Attorney, Rubin & Hayes, Louisville, KY) who prepared the appropriate draft order/ordinance, notice of bond sale, and saw to the publication of same for Southern and Pikeville respectively, pursuant to bond closing instructions issued by RD.*
- 3. Southern took the required bond action on May 24, 2007. Pikeville had first reading of the requisite bond ordinance on May 7, 2007 and second reading and passage of the ordinance on May 29, 2007.*
- 4. RD Bond Closing for Southern was conducted at McDowell, KY at 11:00 a.m. and for Pikeville at 2:00 p.m. at Pikeville, both on Wednesday, May 30, 2007.*

Re: Economic Development Administration (EDA) Loan

By agreement with EDA Project Manager, Mr. Ken Kukovich, Washington, D.C. the City of Pikeville executed electronic payment of the remaining unpaid balance due EDA on the subject Sandy Valley loan as of May 30, 2007, in the amount of \$ 13,279; by ancillary agreement executed between Southern and Pikeville, Southern will reimburse Pikeville 43% of this amount, or \$ 5,709.97.

“b. Southern District and Pikeville shall retain as employees all persons whom Sandy Valley District employed as of January 1, 2006, for a period of at least one year following the date of the transfer and shall pay those persons at a rate that is not less than their pay rate on the date of this Order.”

Applicant Action:

All five (5) Sandy Valley employees, employed as of January 1, 2006 and who remained in the employ of Sandy Valley as of February 1, 2007 were offered employment, by letters dated February 13, 2007, with either Southern or Pikeville, at the bi-weekly gross rate of pay as indicated:

<i>Ms. Donna Boyd</i>	<i>\$ 974.71</i>
<i>Mr. Greg Clark.</i>	<i>1,294.04</i>
<i>Mr. George Hall</i>	<i>936.80</i>
<i>Mr. Mike Hall</i>	<i>936.80</i>
<i>Ms. Palestene (Pat) Layne</i>	<i>1,455.14</i>

Note: Response from prospective employees was requested by March 1. To date, Mr. Greg Clark has accepted employment with Pikeville; Mr. Mike Hall has submitted personal information regarding health insurance, indicating his desire to be employed by Southern. Ms. Pat Layne opted to retire, effective May 30, 2007. Employment for those employees accepting the job offer with the respective Applicant commences effective June 1, 2007.

“c. For a period of one year following the date of the transfer, Southern District and Pikeville shall provide retail water service to Sandy Valley District customers at rates that do not exceed Sandy Valley District’s present rates. Thereafter, any adjustments to the rates that Southern District or Pikeville assess to current Sandy Valley District customers for water service shall be made only upon Commission approval or after the performance of a cost-of-service analysis that is prepared by a certified public accountant or other qualified person and whose findings support the proposed adjustment.”

Applicant Action:

Southern and Pikeville have acknowledged and agree to the condition as stated above. Further, Pikeville, Southern and Mountain Water District (the later is not an applicant in Case No. 2006-00327) have agreed among themselves and subsequently met with and authorized Ms. Carryn Lee, a qualified individual, to perform a cost of service analysis and rate recommendation relating to Pikeville’s wholesale water rates. Additionally, Pikeville intends to retain this same individual to assess its retail rates for both water and sewer services for future consideration.

“d. Unless authorized or directed by the Commission, Pikeville will furnish to Southern District for retail sale in Floyd County up to 27 million gallons of potable water monthly and at a rate of \$1.69 per 1,000 gallons.” (sic)

Applicant Action:

Pikeville has directed to the Commission a copy of its letter dated January 31, 2007, addressed to the Board of Commissioners of Southern Water and Sewer District, wherein it acknowledged and agreed to each of the Commission's conditions set out in Ordering Paragraph 1, of the Commission's Order dated January 22, 2007. Further, as stated above, Pikeville has committed to participate with Southern and Mountain Water District in a jointly funded cost of service analysis of wholesale water rates and rate recommendation, which action could have bearing on future volumes and charges for water.

"e. Within 30 days of the date of the transfer, Pikeville shall refund all customer deposits that Sandy Valley District presently holds for customers located in Pike County and shall pay accrued interest on those customer deposits. Within 15 days of this action, Pikeville shall advise the Commission in writing that the required refunds have been made."

Applicant Action:

Pikeville began mailing reimbursement checks May 31, 2007 and will complete doing so by June 6, 2007 to the approximate 1300 former Sandy Valley customers located in Pike County who had paid meter deposits. The total meter deposit liability carried by Sandy Valley for the Pike County portion of its service area as of May 5, 2007 was \$39,566.23, while the total cash in the Sandy Valley customer deposit account was \$9,306.89, which amount was transferred to Pikeville on May 30, 2007.

"f. Within 30 days of the date of the transfer, Southern District shall pay accrued interest on all customer deposits that Sandy Valley District presently holds for customers located in Floyd County. Within 15 days of this action, Southern District shall advise the Commission in writing that the required interest payments have been made."

Applicant Action:

Sandy Valley's total customer deposit liability for customers located in Floyd County as of May 7, 2007 was \$26,588.40; actual cash in the Sandy Valley customer deposit account for customers in Floyd County was \$6,204, which amount was transferred to Southern on May 30, 2007. Southern will make full and timely reimbursement of interest to these customers not later than June 30, 2007.

"g. Southern District and Pikeville shall each establish an office in the area that Sandy Valley District presently serves to receive customer payments, answer customer questions, resolve disputes and negotiate partial payment plans or

shall designate a representative in the area who has such office and is authorized to perform such actions.

Applicant Action:

To better assure ease of transition for former Sandy Valley customers, Pikeville and Southern have agreed to rent and jointly staff the existing office space used by Sandy Valley through June 30, 2007. Subsequently, both Southern and Pikeville have jointly secured services of an existing business enterprise, located in a former branch banking facility at Harold, Kentucky. This site is approximately one (1) mile south of Betsy Layne, Kentucky on U.S. 23. The enterprise, Home Satellite Services / Direct TV, staffs the location eight hours daily, Monday-Friday, with two clerks who will be trained in customer service issues relating to water service, such as billing inquiries and payment, as well as new customer applications, compliant filing, and general communication regarding the respective utility services of both Pikeville and Southern. The facility has ample customer parking for access to lobby services as well two drive through lanes for customer convenience. Initial service agreement with the enterprise extends for six (6) months, with an option to extend indefinitely.

On June 8, 2007 letters will be mailed to all former Sandy Valley customers by either Southern or Pikeville, as appropriate, regarding the transfer of system assets, ownership and operation and informing customers of the new, customer convenience center location. Both Applicants consider the location to be an advantage for current customer convenience and service delivery as well as of future benefit, as a strategic location from which to launch the initial public information and 'sign-up' phase of the upcoming sewer line extension project to be constructed in Floyd County.

*Physical Address: Home Satellite Services / Direct TV
46 Laynesville Road
Harold, Kentucky 41635*

"2. The proposed transfer shall not proceed unless, within 20 days of the date of this Order, written acknowledgements on behalf of Southern District and Pikeville by each entity's chief executive officer accepting and agreeing to be bound by the conditions set forth in Ordering Paragraph 1 are filed with the Commission."

Applicant Action:

Pikeville directed a letter executed by Mayor Frank Justice to the Commission on Wednesday, January 31, 2007 conforming to the directive contained in Paragraph 2, of the Commission Order dated January 22, 2007. (Exhibit 2, previously submitted)

Southern directed a letter executed by Chair Hubert Halbert to the Commission on Friday, February 2, 2007, also conforming to the Commission's order, as above.

“3. Southern District is authorized to assume 43 percent of the outstanding amount of Sandy Valley District’s obligations, as of the date of the transfer, to Rural Development and the U.S. Economic Development Administration, but shall not assume total obligations exceeding \$615,041.”

Applicant Action:

Southern’s total Sandy Valley debt assumption, including both its share of the Rural Development loan in the amount of \$589,573 and its share of the Economic Development Administration loan in the amount of \$5,709.97, is \$595,262.98. (See Exhibit 3)

“4. Southern shall use the following journal entry (with account balances updated through the date of the transfer) to record the acquisition:

<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Cash	\$XXX	
Accounts Receivable	XXX	
Land	XXX	
Office Furnishings	XXX	
Plant, Tools & Equipment	XXX	
Plant Acquisition Adjustment	XXX	
Accumulated Depreciation		\$XXX
Accounts Payable		XXX
Payroll Taxes Payable		XXX
Other Liabilities		XXX
Customer Deposits		XXX
Note Payable – RD		XXX
Note Payable – EDA		XXX
Donated Capital		XXX”

Applicant Action:

Southern has directed its accountant to make the appropriate journal entries provided by the Commission, updated to the date of transfer to record the acquisition of Sandy Valley assets and liabilities and to submit a report illustrating such action by June 29, 2007. A copy of this report will be directed to the Commission at that time.

“5. Within 10 days of completion of the proposed transfer of assets to Southern District, Sandy Valley District and Southern District shall notify the Commission in writing of the completion of the transfer of assets.”

Applicant Action:

This document and its transmittal correspondence directed to the attention of Commission Executive Director, Ms. Beth O'Donnell, is provided in response to this element of the subject Order.

"6. Within 10 days of completion of the proposed transfer of assets to Pikeville, Sandy Valley District and Pikeville shall notify the Commission in writing of the completion of the transfer of assets."

Applicant Action:

Sandy Valley executed quit claim deeds and bills of sale to Southern and Pikeville for all assets and liabilities associated with facilities located in Floyd County and Pike County, respectively, effective May 30, 2007. These documents were reviewed by Southern and Pikeville prior to the RD bond closing and prior to making final payment to EDA and subsequently filed in the appropriate County Clerk's office. (See Exhibit 6)

This document and its transmittal correspondence directed to the attention of Commission Executive Director, Ms. Beth O'Donnell, is provided in response to this element of the subject Order.

"7. Within 60 days of the date of this Order, Sandy Valley District shall submit to the Commission a financial and statistical report for calendar years 2005 and 2006."

Applicant Action:

Pikeville retained the services of a local accounting firm to work with current staff of Sandy Valley to assemble the required information. Reports relating to Sandy Valley for the designated years, 2005 and 2006 were brought current through February 2007. It was originally intended by the Applicants to submit these reports together with this summary. In that a more timely completion of all actions relating to the implementation of the Commission's Order, referenced above, was not possible and lest more time ensue, these reports were forwarded to the Commission on May 11, 2007.

"8. Sandy Valley District shall submit to the Commission a financial and statistical report for the period in calendar year 2007 that it owned and operated the system."

Applicant Action:

As cited in Paragraph 7, immediately above, the accounting firm of Wallen & Cornett CPAs, Pikeville, retained by the City of Pikeville, is now accessing the required information with which to complete the report requested by the Commission on Sandy Valley for the period through May 30, 2007. This report will be completed by June 30, 2007 and a copy will be directed to the Commission, under separate cover.

“9. Within 10 days of the completion of the proposed transfer, Southern District shall file with the Commission the journal entry that it proposes to record the acquisition. The acquisition shall be recorded in accordance with the Uniform System of Accounts for Class A/B Water Districts and Associations.”

Applicant Action:

(See Applicant Action, relating to Ordering Paragraph 4, above.)

Exhibit 1.2.1

MEMORANDUM

To: Rural Utilities Service – USDA, Rural Development
Attn: Mr. Vernon Brown

From: Sandy Valley Water District, City of Pikeville and Southern Water and Sewer District

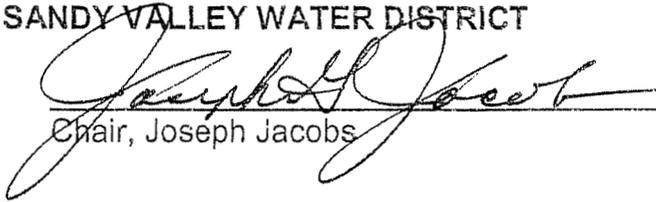
Date: April 11, 2006

Subject: Request for approval of debt assignment and assumption, relating to the asset transfer of the Sandy Valley Water District facilities.

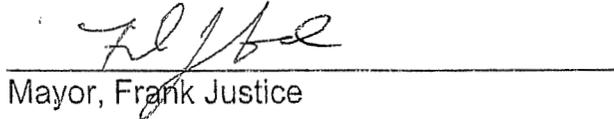
Pursuant to an Interlocal Cooperation Agreement, entered into by and between the Floyd County Fiscal Court, the City of Pikeville, Sandy Valley Water District and Southern Water and Sewer District, duly executed by their designated representatives, as authorized, effective January 1, 2006, and incorporated herein by reference, several of the Parties to this Agreement have requested the Kentucky Public Service Commission to approve an asset transfer relating to the water distribution system of the Sandy Valley Water District and now seek the assignment and assumption of debt as follows:

1. Sandy Valley Water District hereby requests that the Rural Utilities Service authorize and effect the assignment of its existing unpaid indebtedness associated with its water distribution system and related appurtenances located in Floyd and Pike Counties Kentucky, being a total sum in the outstanding capital amount \$1,405,133 (\$ 1,308,965 and \$ 96,168) to the City of Pikeville and the Southern Water and Sewer District as set out herein below; and
2. The City of Pikeville hereby requests the Rural Utilities Service to approve and effect its assumption of 57% or \$ 800,926 of the total debt amount cited in Paragraph 1, above, so that it may own and operate the that portion of the subject water distribution facilities located in Pike County, Kentucky in its name and retire that portion of the indebtedness according to the existing repayment schedule; and,
3. The Southern Water and Sewer District hereby requests the Rural Utilities Service to approve and effect its assumption of 43% or \$ 604,207 of the total debt amount cited in Paragraph 1, above, so that it may own and operate that portion of the subject water distribution facilities located in Floyd County, Kentucky, in its name and retire that portion of the indebtedness according to the existing repayment schedule; and
4. The Parties make this request by action of their governing bodies and have authorized their respective representative to so attest by signature below:

SANDY VALLEY WATER DISTRICT

 Date: 6-15-06
Chair, Joseph Jacobs

CITY OF PIKEVILLE

 Date: 4-10-06
Mayor, Frank Justice

SOUTHERN WATER AND SEWER DISTRICT

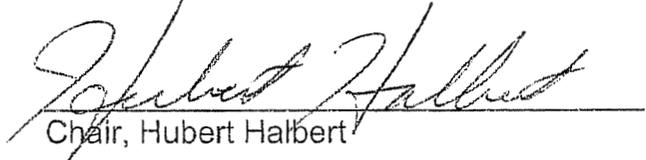
 Date: 4/24/06
Chair, Hubert Halbert

Exhibit 1.2.4.



**United States Department of Agriculture
Rural Development
Morehead Area Office**

5/31/2007

**Mr. Roger Recktenwald
KACO
380 Kings Daughter Drive
Frankfort, KY 40601**

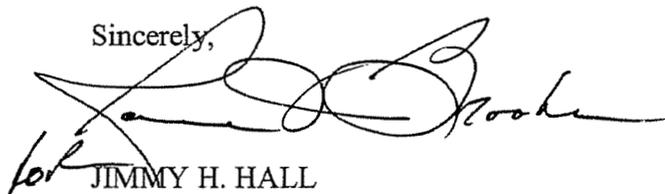
Re: Sandy Valley Water District

Dear Mr. Recktenwald:

As per your request, this letter is to inform you that as of May 30, 2007 all of the Sandy Valley Water District indebtedness to USDA Rural Development was satisfied in full. This was accomplished by Sandy Valley Water District paying all accrued interest through May 30, 2007 and the unpaid principal of their two bonds being transferred to the City of Pikeville and Southern Water & Sewer District as per their inter-local agreement.

If you should have any question, please call Ronnie Brooks of this office at (606) 784-6447, Ext. 117.

Sincerely,



JIMMY H. HALL
Area Director

Cc: State Director, Rural Development, Att: Community Programs

220 West First Street • Morehead, KY 40351
Phone: (606) 784-6447 • Fax: (606) 784-2076 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

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1 91-02

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF PIKE AND FLOYD

REGISTERED

SANDY VALLEY WATER DISTRICT WATERWORKS REVENUE BOND, SERIES 2000B

Interest Rate: 4.75%

PRINCIPAL AMOUNT
\$100,000

REGISTERED

NUMBER
BR-1

KNOW ALL PERSONS BY THESE PRESENTS: That the Sandy Valley Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pike and Floyd Counties, Kentucky, for value received, hereby promises to pay to the UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the Registered Owner hereof, or to its registered assigns, as hereinafter provided, solely from the fund hereinafter identified, the sum of

ONE HUNDRED THOUSAND DOLLARS (\$100,000)

on the first day of January, in years and installments as follows:

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2003	\$ 900	2016	\$1,700	2029	\$3,300
2004	900	2017	1,800	2030	3,500
2005	1,000	2018	1,900	2031	3,600
2006	1,000	2019	2,000	2032	3,800
2007	1,000	2020	2,100	2033	4,100
2008	1,100	2021	2,200	2034	4,300
2009	1,200	2022	2,300	2035	4,500
2010	1,200	2023	2,500	2036	4,800
2011	1,300	2024	2,500	2037	5,000
2012	1,400	2025	2,700	2038	5,300
2013	1,500	2026	2,900	2039	5,500
2014	1,500	2027	3,000	2040	5,700
2015	1,700	2028	3,100		

This Series B Bond is issued by the District as part of an issue in the aggregate principal amount of One Million Five Hundred Twenty-Six Thousand Dollars (\$1,526,000), consisting of One Million Four Hundred Twenty-Six Thousand Dollars (\$1,426,000) of Series A Bonds and One Hundred Thousand Dollars (\$100,000) of Series B Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the Registered Owner of this Bond, and the obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

IF FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said Sandy Valley Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is November 16, 2001.

Handwritten signature and initials



Attest: *Handwritten signature*
Secretary

SANDY VALLEY WATER DISTRICT
Pike and Floyd Counties, Kentucky

By: *Handwritten signature*
Chairman

91-01

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF PIKE AND FLOYD

**SANDY VALLEY WATER DISTRICT
WATERWORKS REVENUE BOND, SERIES 2000A**
Interest Rate: 4.75%

REGISTERED



REGISTERED



KNOW ALL PERSONS BY THESE PRESENTS: That the Sandy Valley Water District (the "District"), acting by and through its Board of Commissioners (the "Commissioners"), a public body corporate in Pike and Floyd Counties, Kentucky, for value received, hereby promises to pay to the UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the Registered Owner hereof, or to its registered assigns, as hereinafter provided, solely from the fund hereinafter identified, the sum of

ONE MILLION FOUR HUNDRED TWENTY-SIX THOUSAND DOLLARS (\$1,426,000)

on the first day of January, in years and installments as follows:

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2003	\$14,000	2016	\$25,000	2029	\$47,000
2004	15,000	2017	27,000	2030	49,000
2005	15,000	2018	28,000	2031	51,000
2006	16,000	2019	29,000	2032	54,000
2007	17,000	2020	29,000	2033	56,000
2008	18,000	2021	31,000	2034	59,000
2009	18,000	2022	32,000	2035	62,000
2010	20,000	2023	34,000	2036	66,000
2011	20,000	2024	37,000	2037	69,000
2012	21,000	2025	39,000	2038	72,000
2013	22,000	2026	41,000	2039	75,000
2014	23,000	2027	42,000	2040	77,000
2015	25,000	2028	45,000		

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the interest rate specified above, semiannually on the first days of January and July of each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the Registered Owner shown on the registration book of the District.

Attest:

Oliver Blackburn
Secretary



SANDY VALLEY WATER DISTRICT
Pike and Floyd Counties, Kentucky

By: *Joseph H. Spahr*
Chairman

This Series A Bond is issued by the District as part of an issue in the aggregate principal amount of One Million Five Hundred Twenty-Six Thousand Dollars (\$1,526,000), consisting of One Million Four Hundred Twenty-Six Thousand Dollars (\$1,426,000) of Series A Bonds and One Hundred Thousand Dollars (\$100,000) of Series B Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the Registered Owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

IF FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, notes, not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky. IN WITNESS WHEREOF said Sandy Valley Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is November 16, 2001.

Exhibit 3

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

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

 **COPY**

March 29, 2007

Mr. Kenneth Slone
State Director
Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477

Re: Southern Water and Sewer District Water and Sewer Revenue Bonds, Series 2007,
in the principal amount of \$589,573 (2000 Sandy Valley Bond Assumption)

Dear Mr. Slone:

We have completed the preparation of **drafts** of most of the papers necessary to enable the District to authorize the Bonds and to advertise same for sale, and we are enclosing herewith advance copies of each of the following:

1. Bond Resolution.
2. Notice of Bond Sale.
3. Preliminary draft of our proposed final approving legal opinion as to the Bonds.
4. Preliminary draft of Transcript List, showing our requirements.

Your attention is directed to the following provisions of the Bond Resolution:

- A. The Bond Resolution refers to the proceeds of the Bonds in the principal amount of \$589,573 which represents Southern's portion of the outstanding principal balance of the Sandy Valley Water District Waterworks Revenue Bonds, Series 2000A and B (43% x 1,371,100).
- B. The Bond Resolution provides that the Current Bonds shall rank on a parity with the 2002 Bonds and the 2005 Bonds currently held by RD, and are subordinate to the KIA Loans, secured by a pledge of and payable solely out of the gross revenues of the water and sewer system of Southern and the gross revenues of that portion of the

Mr. Kenneth Slone
March 29, 2007
Page 2

Sandy Valley system being acquired by Southern, shall be a valid claim of the owners thereof against the Sinking Fund created in the 2002 Bond Resolution.

- C. Provision has been made for monthly payments of principal and interest on the Current Bonds, if desired by RD.
- D. Provision has been made for monthly deposits to the Depreciation Fund in the amount of \$314, until the sum of \$37,675 is reached.

We believe that you will find that the remaining clauses are in compliance with the general requirements of the RD, including the form of the permissible parity clause, the insurance and audit requirements and the terms and conditions of the sale.

Please look over the enclosures at your convenience and let us know whether there are any changes which you would like to make in any of these documents. We are sending a copy of same to you for preliminary examination, with the understanding that we cannot set the date for adoption of the papers or for the sale of the Bonds until these items are cleared by the RD.

If you have any questions, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jkm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account No. 171.0000

Re: Southern Water and Sewer District Water and Sewer Revenue Bonds, Series 2007, in the principal amount of \$589,573 (Sandy Valley Water District Waterworks Revenue Bond, Series 2000A and B Assumption)

Mr. Kenneth Slone
State Director
Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336
Fax: (859) 224-7425

Mr. Ronnie Brooks
Rural Development
220 West First Street
Morehead, Kentucky 40351

Telephone: (606) 784-6447
Fax: (606) 784-2076

Mr. Bob Meyer
Southern Water and Sewer District
P.O. Box 610
McDowell, Kentucky 41647

Telephone: (606) 377-9296

Mr. Roger Recktenwald
Kentucky Association of Counties
380 King's Daughters Drive
Frankfort, Kentucky 40601

Telephone: (502) 223-7667
Fax: (502) 223-1502

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

Telephone: (502) 569-7525
Fax: (502) 569-7555

Exhibit 3, cont.



UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D. C. 20230

May 21, 2007

Sandy Valley Water District
P. O. Box 127
Betsey Lane, KY, 41605

Project Number: 04-01-00023-01

CERTIFIED STATEMENT OF ACCOUNT

As of May 30, 2007

Interest Accrued on Unpaid Balance through the above date

Total Amount Disbursed:			
Loan		\$506,000.00	
Care & Preservation of Collateral		\$0.00	
Prior Liens		\$0.00	
Others (Non-Cash Interest)		\$0.00	\$806,000.00
Less Repayments			\$492,810.17
Current Principal Balance			\$13,189.83
Add: Accrued Interest Payable			\$89.17
Total Interest Paid		\$571,958.13	
Total Indebtedness			\$13,279.00
Interest Rate	Percent	4.125%	
Daily Interest Accrual on Current Outstanding Balance			\$1.51

Date of Last Transaction	Interest Paid Through	Date of Default
04/04/2007	04/01/2007	N/A
Date of Loan	Maturity Date	Collateral
01/01/1970	01/01/2008	N/A

Preparer Signature _____
Prepared by: Jesus L. Perez

Date: 5/21/07

Reviewer Signature _____
Reviewed by: J. M. Gale

Date: 5/21/07

Exhibit 6

QUITCLAIM DEED OF CONVEYANCE

THIS QUITCLAIM DEED OF CONVEYANCE, made and entered into this 30th day of May, 2007, by and between **SANDY VALLEY WATER DISTRICT**, a special district established pursuant to KRS 74, of 525 George Street, Betsy Layne, Kentucky 41642 party of the first part and **SOUTHERN WATER AND SEWER DISTRICT**, a special district established pursuant to KRS 74, of 245 Kentucky Route 680 McDowell, Kentucky 41647, party of the second part.

WITNESSETH:

That for and in consideration of one dollar and other good and valuable consideration, the receipt of which is hereby acknowledged, and pursuant to the terms and conditions of a Interlocal Cooperation Agreement dated January 1, 2006 among the Floyd County Fiscal Court, Sandy Valley Water District, the city of Pikeville and Southern Water and Sewer District, the party of the first part does hereby bargain, grant, sell and convey unto the party of the second part, all of its rights, titles and interest in and to the real property it owns in Floyd County, Kentucky and all leases, licenses, easements, rights-of-ways, encroachment permits and other agreements, whether listed herein or not, granting Sandy Valley Water District the right and authority to establish, operate and maintain its water treatment, transmission and distribution facilities in their present location, the privileges and appurtenances being located in Floyd County, Kentucky. Included, as a part of the Real Property and Easements shall be all buildings, structures, erections, improvements, appurtenances and fixtures located or constructed on any such property.

The grantor acquired title to said properties conveyed herein by the instruments of title listed in Exhibit "A" attached hereto.

LODGED FOR RECORD
DATE 5-30-07
TIME 11:58 AM
FEE 26.00 *rd*

Chris Waugh
Clerk of Floyd County
By *[Signature]*

Being the same property conveyed to the party of the first part by deed of conveyance dated September 22, 1999, from Hall & Hylton Development, Inc., of record in Deed Book 442, Page 157, and by general warranty deed dated October 19, 1967, from J. W. James and Nancy James, of record in Deed Book 202, Page 97, both of record in the Floyd County Clerk's Office to which reference is made for a more particular description of the property conveyed herein.

TO HAVE AND TO HOLD the same unto the party of the second part, its successors and assigns.

IN WITNESS WHEREOF, the party of the first part has affixed its signature as of the day and year first above written.

SANDY VALLEY WATER DISTRICT

BY: Joseph L. Jacobs
ITS: Chairman

CERTIFICATE OF CONSIDERATION

WE, Joseph Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT, Party of the First Part and Hubert Halbert, Chair of the Southern Water and Sewer District, Party of the Second Part, do hereby certify, pursuant to KRS Chapter 382, that this conveyance is without cash consideration and that the estimate value of the property conveyed herein(excluding easements and right of ways) is \$595,101.55, being the dollar amount of that portion of outstanding debt on Sandy Valley Water District facilities in Pike County. We further certify our

understanding that the falsification of the stated consideration or sales prices and estimated value is a Class D felony, subject to one to five years' imprisonment and fines up to \$10,000.00.

"PARTY OF THE FIRST PART"

SANDY VALLEY WATER DISTRICT

By: Joseph G. Jacobs
Its: Chairman

"PARTY OF THE SECOND PART"

SOUTHERN WATER AND SEWER DISTRICT

By: Robert Robert
Its: Chairman

COMMONWEALTH OF KENTUCKY
COUNTY OF Floyd

I, Heather Hammond, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that the foregoing Deed of Conveyance together with a Certificate of Consideration was this day produced to me and duly subscribed and sworn to before me in said County by Joseph G. Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT, Party of the First Part, to be his true act and deed of behalf of the Sandy Valley Water District.

Given under my hand this 24th day of May 2007.
My Commission expires: 02/01/2010.

Heather Hammond
Notary Public

COMMONWEALTH OF KENTUCKY
COUNTY OF FLOYD

I, Maribeth McKinney, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that Hubert Halbert, as Chair of the Southern Water and Sewer District produced to me this day, the foregoing Deed of Conveyance together with a Certificate of Consideration and duly acknowledged before me that he signed said Certificate and certifies this to be his true act and deed on behalf of the Southern Water and Sewer District.

Given under my hand this 30 day of May 2007.
My Commission expires: 3/28/10.

Maribeth McKinney
Notary Public

~~COMMONWEALTH OF KENTUCKY
COUNTY OF PIKE~~

~~I, Chris Waugh, Clerk of Floyd County, Kentucky, do hereby certify that the foregoing Deed from SANDY VALLEY WATER DISTRICT to the SOUTHERN WATER AND SEWER DISTRICT was on the ___ day of _____ 2007 lodged in my office for record, and that it, the foregoing, and this certificate have been duly recorded in my office in Deed Book ____, Page ____.~~

~~Witness my hand the ___ day of _____ 2007.~~

~~CHRIS WAUGH
FLOYD COUNTY CLERK [Signature]~~

~~By: _____ D.C.~~

This Instrument Was Prepared By:
RALPH H. STEVENS, P.S.C.
ATTORNEY AT LAW
P.O. BOX 466
142 WEST BRANHAM STREET
PRESTONSBURG KY 41653
(606) 886-1000

BY: [Signature]
RALPH H. STEVENS
ATTORNEY AT LAW

(Upon description supplied by the Party of the First Part without survey and preparer does not certify title to the subject property.)

Floyd County Easements & DEEDS

1. Virgie Elliott
2. Mrs. Mary J. Elliott
3. The Floyd County Board Of Education
4. Frank Ferrell and Ellen Ferrell, his Wife
5. Mallie Conn, Emmitt Conn, Eddie Conn
6. Jesse Elliott and Kelsie Elliott, his Wife
7. Elizabeth Clark, Widow
8. Luther conn and Norma Conn, his Wife
9. Gina Anderson
10. Lillie Allen
11. Bert Bush and Sally G. Bush, his Wife
12. Ernest Boyd and Nannie Boys, his Wife
13. Ernest Boyd and Nannie Boyd, his Wife
14. Donald Layne , Administrator of Estate of William Layne. Deceased
15. Edgar Layne, Administrator of the Estate if James C. Layne, Deceased
16. Howard Pinkerton and Hazel Pinkerton, his Wife
17. George Kidd
18. Joe I. May and Lida May, his Wife
19. Golda May Lykins, Single
20. Troy Layne and Kitty Layne, his Wife
21. Margarette Kanosz, Widow
22. Howard Jones and Virginia Jones, his Wife
23. Arthor Hamilton
24. James L. Hunt and Lorraine Hunt, his Wife
25. Frank Justice and Mattie Justice
26. Walter Hall and Aileen S. Hall, in book 443 Page 77
27. May H. Hinchman
28. Hobert Hayes and Mollie Hayes, his Wife
29. Ervin Stumbo and Lilly Stumbo, his Wife
30. Arnold B. Sturgill and Donna Sue Sturgill, his Wife
31. Grace Sturgill, Widow
32. Norman Sturgill and Carma Sturgill, his Wife
33. Louis Stanfield and Mrs. Louis Stanfield, his Wife
34. C.L. Senters and Ethel Senters, his Wife
35. Rhoda M. Rustene
36. Carl Robinette and Lydia M. Robinette
37. Margie Robison, Window
38. Ne Ray Hamilton & Geneva Hamilton
39. J Sparrell Stratton
40. Rhonda Clark
41. Corolla Management Corporation

42. Hall & Hylton, Inc. Deed book 406, Page 231
43. George Ramsey
44. J.W. James and Nancy James
45. Mr. Joe Jacobs
46. John M. Porter
47. United Fuel Gas Company
48. William Spears
49. Mrs. Della Stumbo
50. Hall & Hylton Development, Inc.
51. James.A. George
52. Big Sandy Area Development
53. Vanidau Ferrell Deed book 309, Page 388
54. Water purchase Contract Between Sandy Valley & Mtn. Water
55. Edgar Cruvey and Joyce Cruvey
56. Big Sandy Area Development
57. James R. Harp and Gail Mazzie Harp
58. B&H Gas Company
59. Commonwealth of Ky, Harold Grethel Road
60. Sandy Valley Water District / Commonwealth of Kentucky
61. Consulting Engineer Agreement
62. J.W. James
63. Sandy Valley Water District
64. Sandy Valley Minutes of a Special Meeting
65. Walter & Ailene Hall
66. Deloris Posle
67. Jesse Elliott
68. Ed Hawkins

STATE OF KENTUCKY, COUNTY OF FLOYD, S.S.
 I, CHRIS WAUGH, Clerk of Floyd County certify that the
 foregoing Quitclaim Deed was on the
30th day of May, 2007 at 11:58 o'clock
a m. lodged for record whereupon the same with
 the foregoing and this certificate have been duly recorded
 in my office.
 Witness my hand, this 30th day of May, 2007
 CHRIS WAUGH, CLERK By [Signature]

END OF DOCUMENT

FOR GOOD AND VALUEABLE CONSIDERATION, the receipt of which is hereby acknowledged, **Sandy Valley Water District** sells, assigns, conveys and transfers to the **Southern Water and Sewer District** free and clear of all liens, claims and encumbrances as described in the Interlocal Cooperative Agreement dated January 1, 2006 among the Floyd County Fiscal Court, Sandy Valley Water District, the city of Pikeville and Southern Water and Sewer District all of the following described assets of Sandy Valley Water District located in Floyd County, Kentucky, where ever located therein, and whether or not carried or reflected on the books and records of Sandy Valley Water District, which relate to or arise from Sandy Valley Water District's operations, and include, without limitation, the following:

- (a) all machinery, equipment, tools, transmission, distribution, service and other pipelines and appurtenant facilities, and other fixed assets owned or leased by Sandy Valley Water District, including, but not limited to those items identified on Attachment A;
- (b) all inventory held in the ordinary course of business;
- (c) all rights, title and interest in the commercial, industrial and residential contract and non-contract customer accounts, customer account contracts, and other rights to provide services to the customers;
- (d) all permits, licenses, governmental approvals, contracts, except the wholesale water contract with the city of Prestonsburg, corporate names, drawings, design and manufacturing documentation and other proprietary rights and documents;
- (e) all operating data, books, files, documents and records, including,

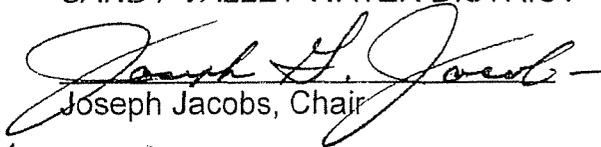
without limitation, customer lists, financial, accounting and credit

LODGED FOR RECORD
 DATE 5-30-07
 TIME 11:59 AM
 FEE 13.00 Pd.
 BY: Chris Waugh
 Clerk of Floyd County
[Signature]

records, marketing information, budgets and other similar documents and records;
(f) the "current assets" listed and described on the books as of the date of Closing; and, all accounts receivable listed and described on books as of the date of Closing relating to those customers of the system in Floyd County.

IN WITNESS WHEREOF, this Bill of Sale is executed effective May 30, 2007 by Sandy Valley Water District, acting herein by and through its Chairman, Joseph Jacobs, as authorized:

SANDY VALLEY WATER DISTRICT


Joseph Jacobs, Chair

Attest: 
Oliver Blackburn, Secretary

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

I, Heather Hammond, notary public in and for the

Commonwealth of Kentucky aforesaid, hereby certify that the foregoing BILL OF SALE was produced and acknowledged before me this 24th day of May 2007 by Joseph G. Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT to be his voluntarily act and deed.

Given under my hand this 24th day of May 2007.

My Commission expires: 02/01/2010.


Notary Public

Attachment A

Tools and Equipment Items -- Southern

1. Stihl TS 400 Cutoff Saw, Ser # 161659096
2. Porter Cable 2 HP Air Compressor, Ser # 036452227
3. Stihl FS-85 Weedeater, Ser #253579579
4. Briggs – Stratton 8HP Generator
5. Dewalt Impact Wrench Mod 290, Ser #527214
6. Pipe Pusher
7. Vehicle: 2002 Chev 1500, 4x4; VIN: 1GCEK14V02Z262191
8. Miscellaneous tools and supplies;
9. Desktop Computer and Miscellaneous office supplies

END OF DOCUMENT

STATE OF KENTUCKY, COUNTY OF FLOYD, S.S.
I, CHRIS WAUGH, Clerk of Floyd County certify that the
foregoing copy recording was on the
30th day of May, 2007 at 11:15 clock
7 a.m. lodged for record whereupon the same with
the foregoing and this certificate have been duly recorded
in my office.
Witness my hand, this 30th day of May, 2007
CHRIS WAUGH, CLERK By: [Signature]



QUITCLAIM DEED OF CONVEYANCE

THIS QUITCLAIM DEED OF CONVEYANCE, made and entered into effective the 30th day of May, 2007, by and between SANDY VALLEY WATER DISTRICT, a water district organized pursuant to KRS Chapter 74, of 525 George Road, Betsy Layne, Kentucky 41502, party of the first part and CITY OF PIKEVILLE, a Kentucky municipal corporation of the Third Class, of 118 College Street, Pikeville, Kentucky 41501, party of the second part.

W I T N E S S E T H:

That for and in consideration of one dollar and other good and valuable consideration, the receipt of which is hereby acknowledged, and pursuant to the terms and conditions of a Interlocal Cooperation Agreement dated January 1, 2006 among the Floyd County Fiscal Court, Sandy Valley Water District, the city of Pikeville and Southern Water and Sewer District, the party of the first part does hereby bargain, grant, sell and convey unto the party of the second part, all of its rights, titles and interest in and to the real property it owns in Pike County, Kentucky and all leases, licenses, easements, rights-of-ways, encroachment permits and other agreements, whether listed herein or not, granting Sandy Valley Water District the right and authority to establish, operate and maintain its water treatment, transmission and distribution facilities in their present location, the privileges and appurtenances being located in Pike County, Kentucky. Included, as a part of the Real Property and Easements shall be all buildings, structures, erections, improvements, appurtenances and fixtures located or constructed on any such property.

The grantor acquired title to said properties conveyed herein by the instruments of title listed in Exhibit "A" attached hereto.

And being part of the same property conveyed to the grantor by Grant of Easement dated December 14, 1999 and recorded in Deed Book 780, Page 77; Deed of Conveyance

dated September 29, 1999 and recorded in Deed Book 779, Page 623, all in the Pike County Clerk's Office.

TO HAVE AND TO HOLD the same unto the party of the second part, its successors and assigns.

IN WITNESS WHEREOF, the party of the first part has affixed its signature as of the day and year first above written.

SANDY VALLEY WATER DISTRICT

BY:  —
ITS: 

CERTIFICATE OF CONSIDERATION

WE, Joseph Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT, Party of the First Part and Frank Justice II, Mayor of the CITY OF PIKEVILLE, Party of the Second Part, do hereby certify, pursuant to KRS Chapter 382, that this conveyance is without cash consideration and that the estimate value of the property conveyed herein (excluding easements and right of ways) is \$789,120.65, being the dollar amount of that portion of outstanding debt attributable to Sandy Valley Water District facilities in Pike County. We further certify our understanding that the falsification of the stated consideration or sales prices and estimated value is a Class D felony, subject to one to five years' imprisonment and fines up to \$10,000.00.

"PARTY OF THE FIRST PART"

SANDY VALLEY WATER DISTRICT

Joseph H. Jacobs
JOSEPH JACOBS, CHAIR

Attest: Christy Blackblum
SECRETARY

"PARTY OF THE SECOND PART"

CITY OF PIKEVILLE, KENTUCKY

Frank Justice II
FRANK JUSTICE II, MAYOR

Attest: Karen Harris
KAREN HARRIS, CITY CLERK

COMMONWEALTH OF KENTUCKY
COUNTY OF Floyd

I, Heather Hammond, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that the foregoing Quitclaim Deed of Conveyance together with a Certificate of Consideration was this day produced to me and duly subscribed and sworn to before me in said County by Joseph G. Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT, Party of the First Part, to be his true act and deed of behalf of and as authorized by the Sandy Valley Water District.

Given under my hand this 24th day of May 2007.
My Commission expires: 02/01/2010.

Heather Hammond
Notary Public

COMMONWEALTH OF KENTUCKY
COUNTY OF Pike

I, Rebecca Hamilton, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that the foregoing Deed of Conveyance together with a Certificate of Consideration was this day produced to me in said county by FRANK JUSTICE II, MAYOR OF THE CITY OF PIKEVILLE and KAREN HARRIS as City Clerk who acknowledged signing said Certificate, as their true act on behalf of the City of Pikeville.

Given under my hand this 30th day of May 2007.

My Commission expires: 12/5/08.


Notary Public

COMMONWEALTH OF KENTUCKY
COUNTY OF PIKE

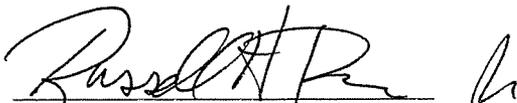
I, LILLIAN PEARL ELLIOTT, Clerk of Pike County, Kentucky, do hereby certify that the foregoing Deed from SANDY VALLEY WATER DISTRICT to the CITY OF PIKEVILLE was on the ___ day of _____ 2007 lodged in my office for record, and that it, the foregoing, and this certificate have been duly recorded in my office in Deed Book ___, Page _____.

Witness my hand the ___ day of _____ 2007.

LILLIAN PEARL ELLIOTT
PIKE COUNTY CLERK

By: _____ D.C.

THIS DEED PREPARED WITHOUT TITLE
RESEARCH OR SURVEY BY
RUSSELL H. DAVIS, JR.
CITY OF PIKEVILLE
P.O. Box 351
Pikeville, KY 41502


RUSSELL H. DAVIS, JR.
CITY ATTORNEY

PIKE COUNTY EASEMENTS & DEEDS

1. John Elswick and Cora K. Elswick, his Wife
2. James W. Gilliam and Ruby Gilliam, his Wife
3. Ira Daniels and Viola Daniels, his Wife
4. Pharis P. Damron and Laura Damron, his Wife
5. James O. Caldwell
6. James O. Caldwell and Verona Caldwell, his wife
7. Harry Campbell and Marcella W. Campbell
8. Dr. W.F. Clark and Virginia Clark, his wife
9. Elizabeth Childers, Widow, George R, Childers and Lean Childers
10. Elizabeth Childers, Widow, Rebecca C. Bowles, Widow and William H. Childers and Mary Childers, his wife
11. L.G. Bevin's and Margaret Bevin's, his Wife
12. Don Bartley
13. Noah Adkins and Nola Adkins, his Wife
14. William N. Mullins and Emma J. Mullins, his wife
15. Scott Mullins and Harriet D. Mullins, his Wife
16. Era B. Mullins, Widow
17. W.R. Walters and D. R. Newsom
18. The Pepsi Cola Bottling Company, Inc, A KY Corporation
19. Dallas Justice and Nora Justice, his Wife
20. Gene Davis Justice
21. Beanner McCown
22. O.E. Lowe and Birtie Lowe, his Wife
23. Charles Lowe and Virginia Lowe, his Wife
24. Marie Leslie, Widow
25. Blanch R. Justice
26. Russell Johnson and Myrtle Johnson, his Wife
27. Howard Hall and Ocelene Hall, his Wife
28. Douglas Huffman and Francis Huffman, his Wife , W.D. Huffman and Prudence Huffman , his Wife
29. Landon hunt and his Wife, and Carl Hatcher
30. Landon Hunt
31. Wilson hunt and Pearl Hunt, his Wife
32. Bob Hurt and Betty Hurt, his Wife
33. Corbett Hurt and Nadine Hurt, his Wife
34. Jim Hamilton and Goldia Hamilton, his Wife, and Jess W. Tomlin Jr. and Ruby Tomlin, his Wife
35. Nancy E. Harp
36. Gladys Holcomb
37. Dr. W.T. Hatcher and Annette S, Hatcher, his Wife

38. Maxie Thornsbury
39. John B. Tibbs and Yonne Tibbs
40. James W. Trimble
41. James W. Trimble and Joyce Trimble, his Wife
42. Dan Syck and Avie Syck, his Wife
43. Lacy Tackett and Leatha Tackett, his Wife
44. Scott Spadlin and Mary Spradlin, his Wife
45. Joe Steel and Emmalene Steel
46. Pheanis Rice, Widow
47. Virgil Ratliff and Ollie Ratliff, his Wife
48. Palmer Ratliff and Geneva Ratliff, his Wife
49. John M. Ratliff and Ruby B. Ratliff, his Wife
50. Herman P. Ratliff and Helen Ratliff, his Wife
51. WM Lee Roberts and Dale Roberts, his Wife
52. Emma Lou Robinson
53. Lacy Puckett and AnnaBell Puckett, his Wife
54. Joe Pringle and Ollie Pringle, his Wife
55. Buster Powell and his Wife,
56. Hilbert Potter
57. Patricia Jane Preston, Single
58. Gary K. Hughes & Better J. Hughes
59. L.R. Thompson and Elizabeth Thompson
60. Betty Scott
61. Genevia Underwood
62. Robert Lemon and Mrs. Ernestine Lemon, his Wife
63. Hibbert D. Potter
64. Department of Transportation
65. Joe J. Friends Vs Sandy Valley Water District
66. Bob Evans Restaurant
67. Carmel G. Clark, John M. Ratliff
68. George Ramset and Faye Ramsey
69. Mattie W. Thompson, Widow
70. Stone Coal Creek & Associates-Waddington Branch, Pikeville Kentucky
71. Robert C. Billips & Jean E. Billips
72. Nancy E. Harp
73. Columbia Gas Transmission
74. City of Pikeville
75. Commonwealth Of Kentucky, Transportation Cabinet
76. Joe. J Friend and Cindy Friend
77. Oliver Blackburn
78. Hibbert D. Potter
79. Names of Easements
80. Summit Engineering Agreement
81. Sandy Valley Water District
82. Sandy Valley Water District
83. Development of the Pikeville Mall

- 84. Sandy Valley Water District
- 85. Old Cassidy School Road
- 86. Sandy Valley of Pike County Roads for Construction or Distribution Lines
- 87. Daris & Wilson & Co.

STATE OF KENTUCKY
COUNTY OF PIKE
CLERK'S CERTIFICATE OF LODGMENT AND RECORD

I, LILLIAN PEARL ELLIOTT, County Clerk for the County and State aforesaid, certify that the foregoing QUIT CLAIM DEED was on 05/30/2007 02:28:34 PM, lodged for record, whereupon the same with the foregoing and this certificate have been duly recorded in my office.

WITNESS my hand this 05/30/2007.

LILLIAN PEARL ELLIOTT, CLERK

BY: *Patricia France* D.C.
DOCUMENTARY TAX PAID \$0.00

BILL OF SALE

FOR GOOD AND VALUEABLE CONSIDERATION, the receipt of which is hereby acknowledged, Sandy Valley Water District sells, assigns, conveys and transfers to the Southern Water and Sewer District free and clear of all liens, claims and encumbrances as described in the Interlocal Cooperative Agreement dated January 1, 2006 among the Floyd County Fiscal Court, Sandy Valley Water District, the city of Pikeville and Southern Water and Sewer District all of the following described assets of Sandy Valley Water District located in Floyd County, Kentucky, where ever located therein, and whether or not carried or reflected on the books and records of Sandy Valley Water District, which relate to or arise from Sandy Valley Water District's operations, and include, without limitation, the following:

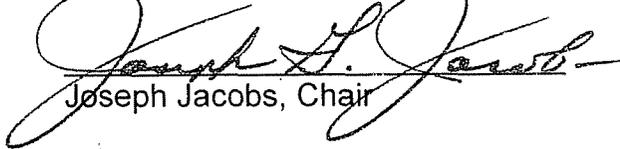
- (a) all machinery, equipment, tools, transmission, distribution, service and other pipelines and appurtenant facilities, and other fixed assets owned or leased by Sandy Valley Water District, including, but not limited to those items identified on Attachment A;
- (b) all inventory held in the ordinary course of business;
- (c) all rights, title and interest in the commercial, industrial and residential contract and non-contract customer accounts, customer account contracts, and other rights to provide services to the customers;
- (d) all permits, licenses, governmental approvals, contracts, except the wholesale water contract with the city of Prestonsburg, corporate names, drawings, design and manufacturing documentation and other proprietary rights and documents;
- (e) all operating data, books, files, documents and records, including, without limitation, customer lists, financial, accounting and credit

records, marketing information, budgets and other similar documents and records;

(f) the "current assets" listed and described on the books as of the date of Closing; and, all accounts receivable listed and described on books as of the date of Closing relating to those customers of the system in Floyd County.

IN WITNESS WHEREOF, this Bill of Sale is executed effective May 30, 2007 by Sandy Valley Water District, acting herein by and through its Chairman, Joseph Jacobs, as authorized:

SANDY VALLEY WATER DISTRICT


Joseph Jacobs, Chair

Attest: 
Oliver Blackburn, Secretary

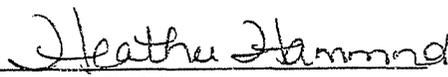
COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

I, Heather Hammond, notary public in and for the Commonwealth of Kentucky aforesaid, hereby certify that the foregoing BILL OF SALE was produced and acknowledged before me this 24th day of May 2007 by Joseph G. Jacobs, Chairman of the SANDY VALLEY WATER DISTRICT to be his voluntarily act and deed.

Given under my hand this 24th day of May 2007.

My Commission expires: 02/01/2010.


Notary Public

Attachment A

Tools and Equipment Items -- Southern

1. Stihl TS 400 Cutoff Saw, Ser # 161659096
2. Porter Cable 2 HP Air Compressor, Ser # 036452227
3. Stihl FS-85 Weedeater, Ser #253579579
4. Briggs – Stratton 8HP Generator
5. Dewalt Impact Wrench Mod 290, Ser #527214
6. Pipe Pusher
7. Vehicle: 2002 Chev 1500, 4x4; VIN: 1GCEK14V02Z262191
8. Miscellaneous tools and supplies;
9. Desktop Computer and Miscellaneous office supplies

STATE OF KENTUCKY
COUNTY OF PIKE
CLERK'S CERTIFICATE OF LODGMENT AND RECORD

I, LILLIAN PEARL ELLIOTT, County Clerk for the County and State aforesaid, certify that the foregoing BILL OF SALE was on 05/30/2007 02 28 35 PM, lodged for record, whereupon the same with the foregoing and this certificate have been duly recorded in my office.

WITNESS my hand this 05/30/2007.

LILLIAN PEARL ELLIOTT, CLERK

BY: *Patricia Vance* D.C.