

KENTUCKY AMERICAN WATER COMPANY
 JOURNAL ENTRY
 TO RECORD ACQUISITION OF
 ELK LAKE WATER COMPANY

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Notes</u>	<u>Credit</u>	<u>Notes</u>
303	Land and Land Rights	5,000.00			
304	SS Structures				
305	Collecting & Impounding Reservoirs				
311	Electric Pumping Equipment				
330	Distribution Reservoirs and Standpipes	30,749.00			
331	Transmission and Distribution Mains	151,048.00			
333	Services				
334	Meters	56,623.00			
334	Meter Installations				
335	Hydrants	13,900.00			
340	Office Furniture and Equipment	3,838.00			
341	Transportation Equipment	7,445.00			
343	Tools, Shop and Garage Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
348	Other General Equipment	500.00			
153	Materials & Supplies				
105	CWIP				
162	Prepaid Expenses				
142	Cust Accounts Receivable				
108	Depreciation			156,765.00	
252	Advances			0.00	
271	CIAC			95,044.00	
399	Acquisition Costs			139,084.00	
271	CIAC			0.00	
114	Acquisition Adjustment	121,790.00		0.00	
	Totals	390,893.00		390,893.00	

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345	Power Operated Equipment				
346	Communication Equipment				
348	Other General Equipment	500.00			
153	Materials & Supplies				
105	CWIP				
162	Prepaid Expenses				
142	Cust Accounts Receivable				
108	Dopreciation			156,765.00	
252	Advances			0.00	
271	CIAC			0.00	
399	Acquisition Costs			139,084.00	
271	CIAC			0.00	

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114	Acquisition Adjustment	26,746.00	0.00
	Totals	295,849.00	295,849.00

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ELK LAKE WATER COMPANY

Revised to 2000 Audit, 3/07/01

[REDACTED]

Utility Plant
Accumulated Depreciation
Construction in Process
Total Net Assets
CIAC
Materials and supplies
Bond Issuance Costs
Prepalds
Preliminary purchase price indicated

[REDACTED]

Debt payoff:
Bonds

Net current assets used to satisfy debt:
current assets less M&S
current liabilities

[REDACTED]

Net current assets used to satisfy debt:

Debt not satisfied
UPAA to pay debt

Payment to Tri-Village
Closing costs
Total investment

[REDACTED]

[REDACTED]

ELKLAKE - good to print!PURCHASE PRICE

ELK LAKE WATER COMPANY, INC.
OWEN COUNTY, KENTUCKY
UTILITY PLANT DEPRECIATION ANALYSIS
PER PSC REPORTS

	Cost Basis as of 12/31/1999	Accum. Depr.	Net Plant as of 12/31/1999	Annual Depr. 1999	Annual Depr. 2000	Net Plant as of 12/31/2000	Accum Depr as of 12/31/2000
Land and Land Rights	\$50,000.00		\$50,000.00			\$50,000.00	\$0.00
Structures and Improvements	\$27,734.00	\$12,663.00	\$15,071.00	\$1,109.00	\$1,109.00	\$13,962.00	\$13,772.00
Supply mains	\$14,520.00	\$7,572.00	\$6,948.00	\$726.00	\$726.00	\$6,222.00	\$8,298.00
Pumping Equipment	\$15,100.00	\$13,361.00	\$1,739.00	\$755.00	\$755.00	\$984.00	\$14,116.00
Water Treatment Equipment	\$7,618.00	\$1,533.00	\$6,085.00	\$381.00	\$381.00	\$5,704.00	\$1,914.00
Distribution Reservoirs and Standpipes	\$30,749.00	\$12,139.00	\$18,610.00	\$879.00	\$879.00	\$17,731.00	\$13,018.00
T & D Mains	\$151,048.00	\$69,931.00	\$81,117.00	\$6,042.00	\$6,042.00	\$75,075.00	\$75,973.00
Services						\$0.00	\$0.00
Meters and meter installations	\$56,623.00	\$47,741.00	\$8,882.00	\$5,662.00	\$5,662.00	\$3,220.00	\$53,403.00
Hydrants	\$13,900.00	\$7,248.00	\$6,652.00	\$695.00	\$695.00	\$5,957.00	\$7,943.00
Other Plant & Miscellaneous Equip.	\$3,838.00	\$3,665.00	\$173.00	\$768.00	\$768.00	-\$595.00	\$4,433.00
Office Furniture and equipment			\$0.00			\$0.00	\$0.00
Transportation Equipment	\$7,445.00	\$750.00	\$6,695.00		\$745.00	\$5,950.00	\$1,495.00
Tools, shop and garage equipment			\$0.00			\$0.00	\$0.00
Power operated equipment			\$0.00			\$0.00	\$0.00
Communication Equipment			\$0.00			\$0.00	\$0.00
Other Tangible Plant	\$500.00	\$500.00	\$0.00			\$0.00	\$500.00
Reconciling amount			\$0.00			\$0.00	\$0.00
Balance Sheet Total	\$379,075.00	\$177,103.00	\$201,972.00	\$17,017.00	\$17,762.00	\$184,210.00	\$194,865.00

ELKLAKE - good to print!DEPRECIATION SCHEDULE

ELK LAKE WATER COMPANY, INC.
 OWEN COUNTY, KENTUCKY
 UTILITY PLANT DEPRECIATION ANALYSIS
 ASSETS PURCHASED

	Cost Basis as of 12/31/1999	Accum. Depr.	Net Plant as of 12/31/1999	Annual Depr. 1999	Annual Depr. 2000	Net Plant as of 12/31/2000	Accum Depr as of 12/31/2000
Land and Land Rights	\$5,000.00		\$5,000.00			\$5,000.00	\$0.00
Structures and Improvements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Supply mains	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pumping Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Treatment Equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Distribution Reservoirs and Standpipes	\$30,749.00	\$12,139.00	\$18,610.00	\$879.00	\$879.00	\$17,731.00	\$13,018.00
T & D Mains	\$151,048.00	\$69,931.00	\$81,117.00	\$6,042.00	\$6,042.00	\$75,075.00	\$75,973.00
Services						\$0.00	\$0.00
Meters and meter installations	\$56,623.00	\$47,741.00	\$8,882.00	\$5,662.00	\$5,662.00	\$3,220.00	\$53,403.00
Hydrants	\$13,900.00	\$7,248.00	\$6,652.00	\$695.00	\$695.00	\$5,957.00	\$7,943.00
Other Plant & Miscellaneous Equip.	\$3,838.00	\$3,665.00	\$173.00	\$768.00	\$768.00	-\$595.00	\$4,433.00
Office Furniture and equipment			\$0.00			\$0.00	\$0.00
Transportation Equipment	\$7,445.00	\$750.00	\$6,695.00		\$745.00	\$5,950.00	\$1,495.00
Tools, shop and garage equipment			\$0.00			\$0.00	\$0.00
Power operated equipment			\$0.00			\$0.00	\$0.00
Communication Equipment			\$0.00			\$0.00	\$0.00
Other Tangible Plant	\$500.00	\$500.00	\$0.00			\$0.00	\$500.00
Reconciling amount			\$0.00			\$0.00	\$0.00
Balance Sheet Total	\$269,103.00	\$141,974.00	\$127,129.00	\$14,046.00	\$14,791.00	\$112,338.00	\$156,765.00

Kentucky-American Water Company
Business Development Target Inventory
Summary
February 2002

<u>ID</u>	<u>Target</u>	<u>Responsible Company</u>	<u>Responsible Person</u>	<u>Number of Customers</u>	<u>Estimated Annual Revenue</u>	
1	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
2	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
3	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
4	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
5	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
6	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
7	[REDACTED]	AWS	Tom Day	[REDACTED]	[REDACTED]	[REDACTED]
8	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
9	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]
10	[REDACTED]	KAWC	Jim Hamilton/Bill Bunch	[REDACTED]	[REDACTED]	[REDACTED]

See also list of current contacts provided separately

Kentucky-American Water Company
Business Development Target Inventory
Target Information
February 2002

[REDACTED]

2	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Kentucky-American Water Company
Business Development Target Inventory
Target Information
February 2002

[REDACTED]

5	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Kentucky-American Water Company
Business Development Target Inventory
Target Information
February 2002

[REDACTED]	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Kentucky-American Water Company
 Business Development Target Inventory
 Target Information
 February 2002

[REDACTED]

[REDACTED]				
8	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Kentucky-American Water Company
Business Development Target Inventory
Target Information
February 2002

[REDACTED]				
[REDACTED]				
9	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Kentucky-American Water Company
 Business Development Target Inventory
 Target Information
 February 2002

[REDACTED]

10	Kentucky	Southeast	KAWC	Jim Hamilton/Bill Bunch
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

**Kentucky-American Water Company
Business Development Target Inventory
Other Contact Information
February 2002**

Relationships are being established and contacts have been made with the following systems. The systems are not yet considered active "Prospects" by KAWC.

[REDACTED]

[REDACTED]

To: Mike Withrow
Legal Advisor to Elk Lake

Fr: Herb Miller
Kentucky American Water Company

Date: May 9, 2002

Re: Upcoming Events

Hello, Mike. I have a partial response to your question about what will need to be done to prepare for a closing.

First, however, I am going to ask Linda Bridwell, our Director of Engineering, to contact you regarding some questions that have been asked by the Attorney General's Office in this case. We doubt if the PSC will rule until these questions are answered.

Although we'll get you are more detailed list later, there are some things that Elk Lake can be working on that will take some time to prepare. Most of these are in the Asset Purchase Agreement.

1. Your CPA will need to prepare a financial statement as of the date of closing. I am told that the CPA also did work for the Tri-Village Water District, so he is familiar with what is needed. This will also show whether the purchase price will have to be adjusted per Section 1 of the Agreement.
2. The bills of sale, deeds and assignments called for in Exhibits 1 and 2 will be needed. This would include the plant site as well as access rights to the plant while it is still in operation.
3. Of course, we'll need counsel's opinion that the terms of Sections 3 and 14 have been met.

I am sure there will be some operational requirements to coordinate, such as notices to your members (our customers), changeover of meter readings, timing of billing schedules, ceremonial issues and the like.