

Exhibit 1b

Appraisal

From: Dean Hall (deanm.hall@bellsouth.net)

To: barnyfyffe@[REDACTED]

Date: Monday, September 10, 2018, 12:56 PM EDT



Virus-free. www.avast.com

FW: Appraisal

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net
Date: Monday, September 10, 2018, 2:25 PM EDT

Test: please confirm receipt.

From: barnyfyffe@[REDACTED] [mailto:barnyfyffe@[REDACTED]]
Sent: Monday, September 10, 2018 2:22 PM
To: TERRY RAY FYFFE
Subject: Fwd: Appraisal

Sent from my iPhone

Begin forwarded message:

From: Dean Hall <deanm.hall@bellsouth.net>
Date: September 10, 2018 at 12:56:43 PM EDT
To: "barnyfyffe@[REDACTED]" <[barnyfyffe@\[REDACTED\]](mailto:barnyfyffe@[REDACTED])>
Subject: Appraisal
Reply-To: Dean Hall <deanm.hall@bellsouth.net>



Virus-free. www.avast.com

Re: Appraisal

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@[REDACTED]

Date: Tuesday, September 11, 2018, 9:47 AM EDT

got it

On Monday, September 10, 2018 2:25 PM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Test: please confirm receipt.

From: barnyfyffe@[REDACTED] [mailto:barnyfyffe@[REDACTED]]
Sent: Monday, September 10, 2018 2:22 PM
To: TERRY RAY FYFFE
Subject: Fwd: Appraisal

Sent from my iPhone

Begin forwarded message:

From: Dean Hall <deanm.hall@bellsouth.net>
Date: September 10, 2018 at 12:56:43 PM EDT
To: "barnyfyffe@[REDACTED]" <[barnyfyffe@\[REDACTED\]](mailto:barnyfyffe@[REDACTED])>
Subject: Appraisal
Reply-To: Dean Hall <deanm.hall@bellsouth.net>

Virus-free. www.avast.com

Sewer Assets 2017

From: Paula Burke (burkepa@██████████)

To: deanm.hall@bellsouth.net

Date: Tuesday, September 25, 2018, 3:17 PM EDT

Paula Burke
Office Manager
Southern Water & Sewer District
606-377-9296



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269.3kB

Southern Water and Sewer District (SEWER DIV.) Depreciation Schedule by G/L Account Number For the 12 Months Ended 12/31/17

Asset No	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/17	Current Depreciation	Accum Depr 12/31/17
304-1 STRUCTURES									
7	BUILDINGS	12/31/05	ST LINE	50/00	N	90,000.00	38,712.33	1,800.00	40,512.33
	Total for (STRUCTURES)					90,000.00	38,712.33	1,800.00	40,512.33
304-2 EASEMENTS AND LAND									
12	EASEMENTS	09/23/08	LAND	00/00	N	17,500.00	0.00	0.00	0.00
15	HAROLD SEWER RIGHT OF WAY	12/31/13	LAND	00/00	N	9,679.72	0.00	0.00	0.00
	Total for (EASEMENTS AND LAND)					27,179.72	0.00	0.00	0.00
311-2 PUMP STATIONS									
4	2005 PUMP STATIONS	12/31/05	ST LINE	50/00	N	858,200.00	206,296.11	13,164.00	219,460.11
10	GRINDER PUMP STATIONS	09/23/08	ST LINE	35/00	N	158,824.44	40,774.45	4,537.84	45,312.29
16	GRINDERS	08/26/14	ST LINE	35/00	N	19,878.53	1,335.09	567.96	1,903.05
17	SEWER PUMP	08/08/15	ST LINE	35/00	N	1,244.07	49.76	35.54	85.30
18	2017 GRINDER PUMPS	01/24/17	ST LINE	35/00	N	3,375.80	0.00	90.37	90.37
	Total for (PUMP STATIONS)					841,522.84	248,455.41	18,395.71	266,851.12
320-3 TREATMENT PLANT									
6	2005 WASTEWATER TREATMEN	12/31/05	ST LINE	50/00	N	493,417.00	154,649.03	9,868.34	164,517.37
11	TREATMENT PLANT	09/23/08	ST LINE	25/00	N	258,237.23	78,101.49	10,329.49	88,430.98
14	HAROLD SEWER PLANT	12/31/13	ST LINE	30/00	N	2,085,656.62	208,756.10	69,521.88	278,277.98
	Total for (TREATMENT PLANT)					2,837,310.85	441,506.62	89,719.71	531,226.33
3 LINES									
1	2005 LINES (ENGINEERING)	12/31/05	ST LINE	50/00	N	377,967.58	118,464.36	7,559.35	126,023.71
2	2005 LINES (LEGAL)	12/31/05	ST LINE	50/00	N	16,420.43	5,146.59	328.41	5,475.00
3	2005 LINES (ADMIN. FEES)	12/31/05	ST LINE	50/00	N	50,000.00	15,671.26	1,000.00	16,671.26
5	2005 LATERALS, MAINS, LINES	12/31/05	ST LINE	50/00	N	1,164,545.00	328,207.88	23,290.90	351,498.78
8	2005 LINES (AST)	12/31/05	ST LINE	50/00	N	666,213.37	208,807.69	13,324.27	222,131.96
9	LATTERALS AND MAINS (EASTE	09/23/08	ST LINE	50/00	N	143,101.81	31,831.70	2,862.04	34,693.74
13	HAROLD SEWER LINES	12/31/13	ST LINE	30/00	N	1,654,750.47	165,626.13	55,158.34	220,784.47
	Total for (LINES)					4,072,998.66	873,755.61	103,523.31	977,278.92
Client Subtotal Before Sales						7,869,012.07	1,602,429.97	213,438.73	1,815,868.70
Less Assets Sold						0.00			0.00
Total						7,869,012.07	1,602,429.97	213,438.73	1,815,868.70

What Southern transferred to Prestonsburg
 City 11/10/17 for Sewer Assets per Auditor

Fw: Sewer Assets 2017

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@[REDACTED]

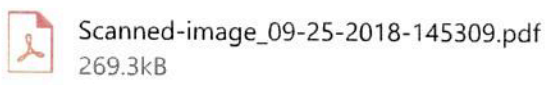
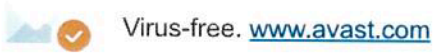
Cc: ben.hale@[REDACTED]; douglas.hoff@[REDACTED] richardpaulman@[REDACTED]

Date: Tuesday, September 25, 2018, 3:57 PM EDT

Mr. Fyffe please consider these Sewer assets that Southern transferred to Pcuc in your appraisal.

On Tuesday, September 25, 2018 3:17 PM, Paula Burke <burkepa@[REDACTED]> wrote:

Paula Burke
Office Manager
Southern Water & Sewer District
606-377-9296



RE: Sewer Assets 2017

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net
Cc: ben.hale@[REDACTED]; douglas.hoff@[REDACTED]; richardpaulman@[REDACTED]
Date: Tuesday, September 25, 2018, 4:22 PM EDT

Are they the ones marked Asset #4 2005 Pump Stations cost \$858,200.00 and Asset #14 Harold Sewer Plant cost \$2,085,656.62 or the entire group?

From: Dean Hall [mailto:deanm.hall@bellsouth.net]
Sent: Tuesday, September 25, 2018 3:58 PM
To: Terry Fyffe
Cc: Floyd Co. Judge/Executive (Ben Hale); Hoff Douglas - RD Morehead KY; richardpaulman@[REDACTED]
Subject: Fw: Sewer Assets 2017

Mr. Fyffe please consider these Sewer assets that Southern transferred to Pcu in your appraisal.

On Tuesday, September 25, 2018 3:17 PM, Paula Burke <burkepa@[REDACTED]> wrote:

Paula Burke
Office Manager
Southern Water & Sewer District
606-377-9296



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Re: Sewer Assets 2017

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@[REDACTED]

Cc: ben.hale@[REDACTED]; douglas.hoff@[REDACTED]; richardpaulman@[REDACTED]
jeffreed@[REDACTED]

Date: Tuesday, September 25, 2018, 4:38 PM EDT

 This message contains blocked images. [Show images](#) or [Always show images](#)

It should be the total at the bottom 7,869,012.07, disregard the marks by number 4 and number 14.

On Tuesday, September 25, 2018 4:22 PM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Are they the ones marked Asset #4 2005 Pump Stations cost \$858,200.00 and Asset #14 Harold Sewer Plant cost \$2,085,656.62 or the entire group?

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Sent: Tuesday, September 25, 2018 3:58 PM

To: Terry Fyffe

Cc: Floyd Co. Judge/Executive (Ben Hale); Hoff Douglas - RD Morehead KY; richardpaulman@[REDACTED]

Subject: Fw: Sewer Assets 2017

Mr. Fyffe please consider these Sewer assets that Southern transferred to Pcuc in your appraisal.

On Tuesday, September 25, 2018 3:17 PM, Paula Burke <burkepa@[REDACTED]> wrote:

Paula Burke
Office Manager
Southern Water & Sewer District
606-377-9296



Virus-free. www.avast.com

appraisal

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@[REDACTED]

Cc: jeffreed@[REDACTED]

Date: Wednesday, October 17, 2018, 10:28 AM EDT

What's the status of the appraisal????? I need it for the 2017 audit.

RE: appraisal

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net
Cc: jeffreed@[REDACTED]; trfyffe@[REDACTED]
Date: Wednesday, October 17, 2018, 10:42 AM EDT

Dean,

Here is what we were supposed to receive from you:

1. Financial Statements for 2017, 2016, 2015, 2014, 2013.
2. Current year FS as of 6/30/18.
3. Customer List of clients transferred and annual income collected for last full year (for loss of revenue calculation).
4. I did receive the list of assets from you that were transferred,

I have not received items 1-3 above. I have received the agreement from Eddie and other information, but it did not include Southern financials.

Thanks, Terry

From: Dean Hall [mailto:deanm.hall@bellsouth.net]
Sent: Wednesday, October 17, 2018 10:29 AM
To: Terry Fyffe
Cc: Jeff Reed
Subject: appraisal

What's the status of the appraisal????? I need it for the 2017 audit.

Re: appraisal

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@ [REDACTED]

Date: Wednesday, October 17, 2018, 10:46 AM EDT

Thank You, we'll get to work on it.

On Wednesday, October 17, 2018 10:42 AM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Dean,

Here is what we were supposed to receive from you:

1. Financial Statements for 2017, 2016, 2015, 2014, 2013.
2. Current year FS as of 6/30/18.
3. Customer List of clients transferred and annual income collected for last full year (for loss of revenue calculation).
4. I did receive the list of assets from you that were transferred,

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Thanks, Terry

From: Dean Hall [mailto:deanm.hall@bellsouth.net]

Sent: Wednesday, October 17, 2018 10:29 AM

To: Terry Fyffe

Cc: Jeff Reed

Subject: appraisal

What's the status of the appraisal????? I need it for the 2017 audit.

Unsigned Draft of my final report

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net; ecpcuc@[REDACTED]
Cc: trfyffe@[REDACTED]; tgatrell@[REDACTED]
Date: Thursday, November 1, 2018, 11:09 AM EDT

Dean and Eddie,

Please find attached a draft of my report. Please read the verbiage to make sure I haven't misrepresented anything. If you find an error, please let me know and I will correct. Upon correction, I will sign and issue the final report.

If you have any questions, I suggest we have a telephone conference to discuss as I understand both parties have to be satisfied with this report.

Thanks,

Terry R. Fyffe, CPA, ABV
2155 Carter Avenue
P.O. Box 2245
Ashland, Kentucky 41105-2245
Phone: 606-329-8604
Fax: 606-324-2823
[REDACTED]

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The Fyffe Jones Group



Southern Water and Sewer District.pdf

Fw: Unsigned Draft of my final report

From: Dean Hall (deanm.hall@bellsouth.net)

To: jeffreed@[REDACTED]

Cc: ben.hale@[REDACTED]; richardpaulman@[REDACTED]; douglas.hoff@[REDACTED]

Date: Thursday, November 1, 2018, 2:36 PM EDT

*****Guys take a look at this and let me know what you think*****

On Thursday, November 1, 2018 11:09 AM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Dean and Eddie,

Please find attached a draft of my report. Please read the verbiage to make sure I haven't misrepresented anything. If you find an error, please let me know and I will correct. Upon correction, I will sign and issue the final report.

If you have any questions, I suggest we have a telephone conference to discuss as I understand both parties have to be satisfied with this report.

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Terry R. Fyffe, CPA, ABV
2155 Carter Avenue
P.O. Box 2245
Ashland, Kentucky 41105-2245
Phone: 606-329-8604
Fax: 606-324-2823
[trfyffe@\[REDACTED\]](mailto:trfyffe@[REDACTED])

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The Fyffe Jones Group



Southern Water and Sewer District.pdf
350.5kB

RE: Unsigned Draft of my final report

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net; ecpcuc@[REDACTED]
Cc: tgatrell@[REDACTED]
Date: Monday, November 5, 2018, 9:02 AM EST

Dean,

I have not heard back from you, but Eddie did approve. Please read the verbiage and let me know if anything needs changed. If I don't hear back by Friday, I will assume everything is alright and issue the final report as I know this was time sensitive.

Thanks,

Terry

From: Terry Fyffe
Sent: Thursday, November 01, 2018 11:09 AM
To: deanm.hall@bellsouth.net; ecpcuc@[REDACTED]
Cc: Terry Fyffe; Tyler Gatrell
Subject: Unsigned Draft of my final report

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2155 Carter Avenue
P.O. Box 2245

Re: Unsigned Draft of my final report

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@[REDACTED] ecpcuc@[REDACTED]

Cc: tgatrell@[REDACTED]

Date: Monday, November 5, 2018, 9:59 AM EST

Terry,

Southern Water's Board Doesn't approve this report Today, It is being reviewed by our CPA and Auditor, Southern's Board should make a decision on 11-19-18 at its monthly Board meeting. I will be calling you later this week to discuss further.

Thanks

Dean

On Monday, November 5, 2018 9:02 AM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Dean,

I have not heard back from you, but Eddie did approve. Please read the verbiage and let me know if anything needs changed. If I don't hear back by Friday, I will assume everything is alright and issue the final report as I know this was time sensitive.

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From: Terry Fyffe
Sent: Thursday, November 01, 2018 11:09 AM
To: deanm.hall@bellsouth.net; ecpcuc@[REDACTED]
Cc: Terry Fyffe; Tyler Gatrell
Subject: Unsigned Draft of my final report

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Thanks,

Terry R. Fyffe, CPA, ABV
2155 Carter Avenue
P.O. Box 2245

RE: Unsigned Draft of my final report

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net; ecpcuc@[REDACTED]
Cc: tgatrell@[REDACTED]
Date: Monday, November 5, 2018, 10:16 AM EST

The PSC report was used for the lost revenues that didn't account for all cost savings, only purchased water and a small depreciation. So the value of the lost revenues came to a little over \$4M. The PSC report was very thorough and approved more than requested so the assumption would be that they thought that was needed to replace the lost income.

From: Dean Hall [mailto:deanm.hall@bellsouth.net]
Sent: Monday, November 05, 2018 10:00 AM
To: Terry Fyffe; ecpcuc@[REDACTED]
Cc: Tyler Gatrell
Subject: Re: Unsigned Draft of my final report

Terry,

Southern Water's Board Doesn't approve this report Today, It is being reviewed by our CPA and Auditor, Southern's Board should make a decision on 11-19-18 at its monthly Board meeting. I will be calling you later this week to discuss further.

Thanks

Dean

On Monday, November 5, 2018 9:02 AM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Dean,

I have not heard back from you, but Eddie did approve. Please read the verbiage and let me know if anything needs changed. If I don't hear back by Friday, I will assume everything is alright and issue the final report as I know this was time sensitive.

Fw: SWSD AUDITS

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@ [REDACTED]






Date: Wednesday, November 14, 2018, 11:14 AM EST

On Tuesday, October 23, 2018 4:40 PM, "jeffreed@ [REDACTED]" <jeffreed@ [REDACTED]> wrote:

HERE YOU GO

Jeff Reed
Our new email address is [jeffreed@\[REDACTED\]](mailto:jeffreed@[REDACTED])

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. If you are not the intended recipient you are notified that disclosing, copying, distributing or taking any action in reliance on the contents of this information is strictly prohibited

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-  swsd audit 2013.pdf
883.7kB

Meeting??

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@ [REDACTED]

Date: Wednesday, November 14, 2018, 11:29 AM EST

Terry,

I would like to schedule a meeting with you to discuss the Appraisal of assets preferably before 11-19-18. let me know if this can happen???

Thanks,
Dean

RE: Meeting??

From: Terry Fyffe (trfyffe@██████████)

To: deanm.hall@bellsouth.net

Date: Wednesday, November 14, 2018, 10:07 PM EST

Dean, I am at Orlando for conference and won't be back until the 20th assuming flight can get back to Cincinnati timely.

From: Dean Hall [mailto:deanm.hall@bellsouth.net]
Sent: Wednesday, November 14, 2018 11:30 AM
To: Terry Fyffe
Subject: Meeting??

Terry,

I would like to schedule a meeting with you to discuss the Appraisal of assets preferably before 11-19-18. let me know if this can happen???

Thanks,

Dean

Re: Meeting??

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@ [REDACTED]

Date: Thursday, November 15, 2018, 9:52 AM EST

Ok, thanks, we'll touch base when you get back In town

Sent from my iPhone

On Nov 14, 2018, at 10:06 PM, Terry Fyffe <[trfyffe@\[REDACTED\]](mailto:trfyffe@[REDACTED])> wrote:

Dean, I am at Orlando for conference and won't be back until the 20th assuming flight can get back to Cincinnati timely.

From: Dean Hall [<mailto:deanm.hall@bellsouth.net>]

Sent: Wednesday, November 14, 2018 11:30 AM

To: Terry Fyffe

Subject: Meeting??

Terry,

I would like to schedule a meeting with you to discuss the Appraisal of assets preferably before 11-19-18. let me know if this can happen???

Thanks,

Dean

Re: Meeting??

From: Dean Hall (deanm.hall@bellsouth.net)

To: trfyffe@ [REDACTED]

Date: Tuesday, November 20, 2018, 11:25 AM EST

Terry,

Good morning, are you back in town? if so can we meet somewhere to discuss appraisal?

On Wednesday, November 14, 2018 10:07 PM, Terry Fyffe <trfyffe@[REDACTED]> wrote:

Dean, I am at Orlando for conference and won't be back until the 20th assuming flight can get back to Cincinnati timely.

From: Dean Hall [mailto:deanm.hall@bellsouth.net]
Sent: Wednesday, November 14, 2018 11:30 AM
To: Terry Fyffe
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Terry,

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Thanks,
Dean

RE: Meeting??

From: Terry Fyffe (trfyffe@[REDACTED])
To: deanm.hall@bellsouth.net
Cc: ecpcuc@[REDACTED]; trfyffe@[REDACTED]
Date: Tuesday, November 20, 2018, 1:18 PM EST

Since the two of you represent each respective District, Please consider the following:

1. I can't value the assets that are in the ground but their value is determined by the Revenues they produce.
2. I was contracted to determine the value of the Revenues that transferred from Southern to Prestonsburg. That value was a little over \$4M, which supported the Agreement entered into by the two Districts.
3. The other two items I was contracted to opine on, was the viability of each District after the transfer.
4. I completed Prestonsburg based on the financials provided to me, and opined they were viable after the transfer.
5. I completed Southern from the PSC increase of \$953,410 in Revenues or 33.12% increase in rates.
6. Looking at the 2017 audit, it confirms my viability opinion as follows:
 - a. Net Assets of \$18M.
 - b. Net Loss before Rate increase of \$146,017.
 - c. Depreciation was \$1M of the \$146,017 loss.
 - d. Net Cash provided by operating activities was over \$400,000 before the Revenue/Rate increase.
 - e. Footnote 5 estimated the loss of revenue to be under \$500,000 yearly, whereas the increase in Revenue per the PSC is \$953,410.
 - f. The Auditor is required to determine if there is a Going Concern issue with the District, he did not determine there was an issue.
 - g. The PSC sent personnel in to evaluate Southern's required revenue to be viable, and determined an increase greater than the District requested. From reading their report and having experience with their objectives/policies, I am satisfied the increase was sufficient to ensure the District was a Going Concern and viable.
7. It is my understanding there is still an amount that Prestonsburg owes Southern to complete the contract, it is only contingent on how those funds are to be used against what debt or outright.

I have completed my report without interference from either District and with sufficient information including Third Party support from a very reliable source. I only met Ed for a "Site Visit" and tour of the assets transferred. Otherwise he provided the information I needed for the viability for his District. I only talked to Judge Executive Ben Hale and District Manager Dean Hall about the site visit and applicable Revenue stream. Neither of the parties tried to persuade me in the value of the transferred Revenue and associated Assets.

So my engagement is complete. I will be glad to meet with either party or both together, but it would be under a separate engagement as described in my Engagement Letter and subject to a new Retainer. Also, the purpose of the meeting would need to be identified and agreed upon.

Thanks,