

# MINUTES } CITY OF PIKEVILLE

Minutes of a Special Meeting of the Board of Commissioners of the City of Pikeville held on December 3, 1963, with Commissioners B. P. Bogardus, W. E. Venters and Richard Wells, Jr., and W. C. Hambley, Mayor, present and participating, Commissioner E. Bruce Walters having waived notice but not present and W. E. Butcher, City Manager and O. T. Hinton, City Attorney, in attendance.

O. T. Hinton announced that he had prepared the contract covering the purchase of the natural gas systems in accordance with the Resolution passed on November 19, 1963, in conjunction with Henry D. Stratton, Attorney for the sellers, and also F. M. Burke, acting as Attorney for the sellers and that the contract as prepared had been approved by the sellers and their Attorneys and submitted the same for consideration and execution by the City and recommended that it be executed and delivered.

After a full discussion the following Resolution was offered:

Resolved that the Mayor and City Clerk be authorized and directed to execute in duplicate the contract of November 19th, 1963, between the City and Consumers Natural Gas Company of Kentucky and Kentucky Shale Gas Company covering sale of the two gas distribution systems authorized by Resolution of the Board of November, 1963, which has been prepared and submitted by O. T. Hinton, City Attorney, and to deliver one copy to the sellers when executed by them.

B. P. Bogardus moved the adoption of this Resolution. The motion was seconded by Richard Wells, Jr., and the roll call was as follows:

B. P. Bogardus	Yes
W. E. Venters	Yes
Richard Wells, Jr.	Yes
W. C. Hambley, Mayor	Yes

The Mayor declared the Resolution adopted and it is so ordered.

Thereupon the Mayor and Clerk executed three copies of the contract and directed the City Attorney to obtain a proper execution of all three copies by the sellers and retain one executed copy which shall be spread at large upon the Minute Book of the City.

One executed copy of the contract covered by the above Resolution was delivered to the City Clerk by O. T. Hinton, Attorney, and the same is attached to these Minutes and is ordered spread upon the Minute Book of the City. (AS FOLLOWS)

THIS CONTRACT OF SALE, made and entered into this 19th day of November, 1963, by and between the CITY OF PIKEVILLE, a City of the Fourth Class of the State of Kentucky, operating under the Commission and City Manager form of Government, hereinafter called "THE CITY", and the CONSUMERS NATURAL GAS COMPANY OF KENTUCKY, INC., A CORPORATION, with its principal place of business in Pikeville, Pike County, Kentucky, and the KENTUCKY SHALE GAS COMPANY, INC., a Corporation, with its principal place of business in Pikeville, Pike County, Kentucky, which corporations will be hereinafter referred to as "THE SELLERS".

## WITNESSETH:

That, WHEREAS, Consumers Natural Gas Company of Kentucky, Inc., pursuant to a certificate of Convenience and Necessity duly issued by the Public Service Commission of Kentucky, owns and operates a natural gas distribution system, a large portion of which lies within the City of Pikeville, and

WHEREAS, the Kentucky Shale Gas Company, Inc., pursuant to a Certificate of Convenience and Necessity duly issued by the Public Service Commission of Kentucky, owns and operates a natural gas distribution system almost wholly situated within the boundaries of the City of Pikeville, and

WHEREAS, the City of Pikeville operates a natural gas distribution system likewise within the City of Pikeville, and

WHEREAS, the City of Pikeville over a period of many months, by and through its Commissioners and Attorney, attempted, without success, to negotiate the acquisition of the gas distribution systems of the Sellers, and

WHEREAS, the City Commissioners of said City on August 6, 1963, by proper Resolution, authorized the acquisition of these gas systems by negotiation or condemnation, and

WHEREAS, the Sellers, to avoid the expense and uncertainty of condemnation proceedings, have negotiated a sale of these properties to the City.

NOW, THEREFORE, the premises considered, and for and in consideration of the sum of Two Hundred Fifty-Five Thousand Dollars (\$255,000.00), to be paid in cash as hereinafter provided, the City has agreed to buy and the Sellers have agreed to sell, transfer and convey all of such physical properties owned by each of the Seller Corporations, consisting of natural gas distribution systems, known as the Consumers System and the Kentucky Shale System, and described in detail



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in the appraisal prepared by Watkins & Associates, Inc., Engineers, consisting of eighteen pages, which is hereto attached and adopted by reference as a part of this contract, together with all pipe line easements, rights-of-way and other interest in real estate owned or held by the Sellers, upon the following terms and conditions. (Appraisal Follows)

Watkins & Associates  
Consulting Engineers

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Project Pikeville Gas Appraisal

Date 8/22/63

Job No. 15

By LFW

Subject Consumer System

## 1. DISTRIBUTION:

Avg. Life	Pipe	Age	Length	U.P.	Reproduction Cost	%	Present Value
(35)	3/4"	?	750'	0.75	\$565.00	50%	\$ 282
(35)	1"	15	18,750'	0.78	14,650.00	55%	8,050
(35)	1 1/4"	?	2,000'	0.83	1,660.00	50%	830
(50)	2"	15	91,000'	1.30	118,200.00	50%	59,100
(50)	3"	8	16,500'	2.00	33,000.00	85%	28,000
(75)	4"	3	750'	2.35	1,760.00	95%	1,670

Total Dist: 129,750' \$169,835 54% \$97,932

## 2. SERVICES: Average Length 20', Average Age 12 Years.

698 Services (In Service) @\$ 30	\$20,960.00	60	\$12,500
50 Services (Inactive) @ 30	1,500.00	60	900
Total	\$22,460.00		\$13,400

## 3. METERS:

In Service:

698 (All sizes included) @ \$27	\$18,850.00	75	14,200
Rockwell, Emico, Metric & American			

Stock:

95 (150,175 & 250) @25	\$ 2,380.00	85	2,020
Total	\$21,230.00	76	16,220

## 4. METER INSTALLATION:

698 Meters Installations; including cartage, testing and labor @ \$7.50	\$ 5,240	76	4,000
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## 5. HOUSE REGULATORS

698 - Regulator (low and Intermediate) @ 10.50	\$ 7,445	80	5,950
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## 6. TRANSPORTATION:

1 - 1962 Ford 1/2 Ton Pickup	2,015	NADA	1,625
1 - 1961 Dodge 1/2 Ton Pickup	1,975	NADA	1,300
Total	\$ 4,090	72%	\$2,925

## 7. SHOP EQUIPMENT:

1 - Meter Prover	\$ 1,100	80%	\$ 880
1 - Bench Grinder	50	60%	30
1 - Let, Bench & Hand Tools	450	75%	335
Total	\$ 1,600		\$1,245

Total Physical  
Property Consumer  
Gas \$231,900 \$141,672

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Subject Shale System

## 1. DISTRIBUTION:

Pipe	Age	Length	U.P.	Reproduction Costs	%	Present Value
(35) 1"	10	1,000'	0.78	\$ 780	72%	\$ 556



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Shale System (Cont'd)				U.P.	Reproduction Cost	%	Present Value
	Pipe	Avg Age	Length				
(35)	1 1/4"	10	1,500'	0.83	\$ 1,245	72%	\$ 895
(35)	1 1/2"	10	3,750'	0.95	3,580	72	2,560
(50)	2 "	10	23,000'	1.30	29,950	80	23,900
(50)	3"	10	1,300'	2.00	2,600	80	2,080
					\$ 38,155	78%	\$ 29,991

## 2. SERVICES

150 Services \$30.00 \$ 4,500 70% \$ 3,125

## 3. METERS

In Service 27.00 4,050 75% 3,040  
150 (All Sizes)

## 4. METER INSTALLATIONS

150 7.50 1,125 75% 845

## 5. HOUSE REGULATORS

150 7.00 1,050 80% 840

Total Physical Property Shale \$48,880 77.5% \$ 37,841

Total Physical Property

Both Systems \$280,780 \$179,513

TOTAL PHYSICAL PROPERTY \$280,780 \$179,513

Preliminary, Engineering,  
Administrative, Interest  
@ 7.5% 13,407  
Going Value 10,000

TOTAL APPRAISED VALUE \$202,920

Say \$200,000

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Project Appraisal - Summary

Subject Consumers & Kentucky Shale System

	Reconstruction Cost New	Percent Condition	Present Value
Consumers Gas Co.	\$295,353	56%	\$164,803
Kentucky Shale Co.	61,239	69%	44,995
Total Physical Property	\$356,582	58%	\$207,146
Less: Deferred Replacement of Exposed Pipe Along Chloe & Harold Br. Pipe cost only 30,000' @ \$.40			\$ 12,000
Net Physical Property			\$195,146
Preliminary Costs, Engineering Administrative, Interest @ 7.5%			15,535
Going Value			10,000
Total Appraised Value			\$220,681 (223,344)

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Project Appraisal - Consumers & Shale System  
Subject Revenue Comparasion

Date 9-23-63  
Job No. 1535-9  
By LFW

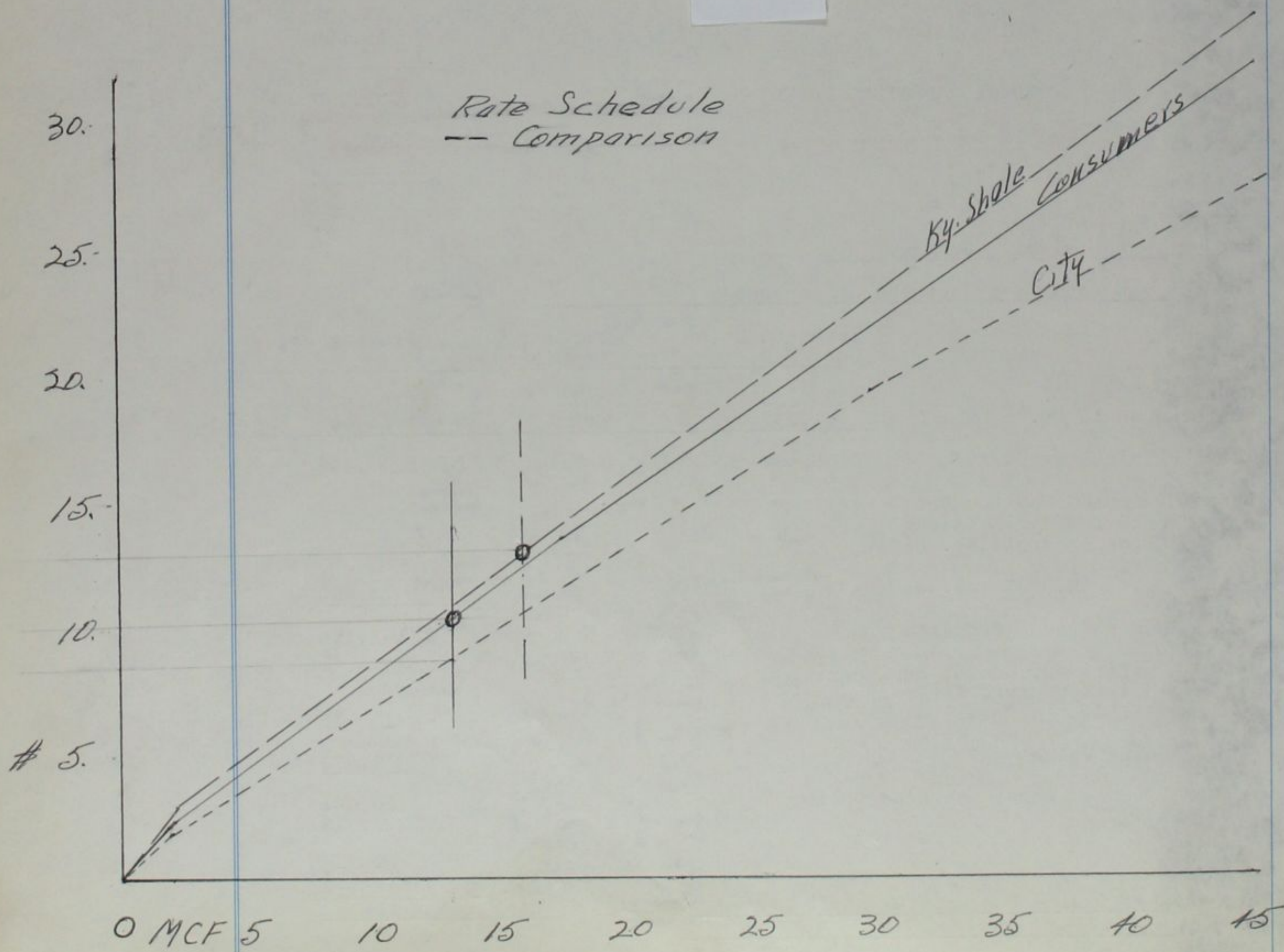


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(CONT'D)

REVENUE	59	60	61	62
Consumer	\$ 58,200	\$ 85,173	\$85,289	\$91,046
Shale	14,378	14,576	20,205	23,605
Total	\$ 72,578	\$ 99,749	\$105,494	\$114,651
Consumer 83%	\$ 48,306	\$ 70,694	\$70,789	\$75,568
Shale 77%	(11,359)	(11,515)	15,961	18,647
	\$ 59,665	\$ 82,209	\$86,750	\$96,215
Gas Purch	40,855	60,902	58,651	68,170
Net	\$ 18,810	\$ 21,307	\$28,099	\$33,045
O & M (City)			12,000	15,000
Net Available for Debt Service and Coverage:			\$16,099	\$18,045
Debt Service 232			13,900	13,900
Balance				4,145
Cover				1.33

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Project Appraisal - Summary  
 Subject Kentucky Shale

Date 9-18-63

	Reconstruction Cost New	Percent Condition	Present Value
1. Structures	\$ 360	54%	\$ 193
2. Pipe	46,696	69%	32,104
3. Measuring & Regulating	2,335	74%	1,728
4. Services	4,500	68%	3,060
5. Meters	3,442	73%	2,519
6. Meter Installations	1,088	73%	795
7. House Regulators	1,368	69%	944
8. Regulator Installations	1,450	69%	1,000
Total Kentucky Shale	\$ 61,239	69%	\$42,343 (42,342)

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Project Appraisal  
 Subject Kentucky Shale System

Date 9-18-63

## 1. Structures

## A Cedar Creek Station (1950)

1 - Wood frame structure 5-2X5-2 Sheet Metal Roof 26.7 Sq. Ft.	\$ 60	48%	\$ 29
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## B. Ward Regulator Station (1950)

1-Concrete Block with wood framed structure 11'x16' Sheet metal roof 176 Sq Ft	200	48%	96
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## C. Ratliff Creek Station (1955)

1-Wood frame structure 6'-4"x6'-4" Sheet Metal Roof, wooden floor, block Substructure 40 Sq Ft	100	68%	68
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Total: Structures	\$ 360	54%	\$ 193
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## 2. Pipe

## A Transmission

## 1. P. E. Welded

2" 2yrs 2652' @ 1.30	3,447	92%	3,171
River & R.R. Crossings	350	90	315

Total-A-Transmission	\$ 3,797	92%	\$ 3,486
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## Pipe (Cont'd)

## B. Distribution

## (1) P.E. Welded Pipe

Size	Average Age	Length	Unit Price	Reconstruction New	Percent Condition	Present Value
4"	5 Yrs	1280'	\$ 2.35	\$ 3,008	83%	\$ 2,647
3"	13	1060'	2.00	2,120	48%	1,017
2"	8	27,620'	1.30	(35,906) 32,006	68%	(24,416) 21,764
1 1/2"	11	2,100	0.95	1,995	45%	897
Total (1)				\$ 39,129	67%	\$ 26,325

## (2) Screwed Pipe

1 1/4"	11	1785	0.83	1,482	45%	667
1"	5	625	0.78	488	75%	366
Total (2)				\$ 1,970	52%	\$ 1,033



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(3) River & Highway Crossings Values & Fittings	Reconsturction New	Percent Condition	Present Value
	\$ 1,800	70%	\$ 1,260
Total - B - Distribution	\$ 42,899	67%	\$ 28,618
Total - 2 - Pipe (34,122' of Pipe)	\$ 46,696	68%	\$ 32,104

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3. Measuring & Regulating Equip

## A. Ward Station (1950)

1-Rockwell #2½ Meter, Max Press. 75	\$ 675	60%	\$ 405
2-Emco Service Regulators, Type B Size 2	42	60%	25
3-Drips @ \$25	75	75%	56
1-Foxboro HP Gauge	50	60%	30
1-Chapman Fulton HP Reg -1000#-5#	75	50%	38
Total Ward Station	\$ 917	60%	\$ 554

## B. Ratcliff Creek Station (1955)

1-Foxboro Flo-Tye Meter & Gauge )#-500# (1963)	\$ 550	95%	\$ 525
1-American 1500 Displacement Type Meter )#-250#	650	75%	488
1-Chapman-Fulton 125# HP Reg	40	60%	24
2-Drips @ \$25	50	75%	37

Total Ratcliff Sta.	\$ 1,290	83%	\$ 1,074
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## C. Scott Addition Station (1958)

2-Rockwell HP Regulator #118 Max Press 1000# & Fittings @25	\$ 50	85%	\$ 42
Total Scott Sta.	\$ 50	85%	\$ 42

## D. Pauley Addition Station (1955)

1-Chapman Fulton Regulator HP D-32	\$ 40	75%	\$ 30
1-Rockwell 107 Regulator	13	75%	9
1-Drip @25	25	75%	19
Total Pauley Sta	\$ 78	75%	\$ 58
Total No. 3	\$ 2,335	74%	\$ 1,728

4. Services

150 1" & 1½"			
Average Age 8 Yrs. @30	\$ 4,500	68%	\$ 3,060
Total Services	\$ 4,500	68%	\$ 3,060

5. MetersA. In Service

26- #150 Rockwell 5 Yrs. @\$21	\$ 546	83%	\$ 453
4- 75 Metric 12 @ 20	80	60	48
4- 175 American 12 @ 21	84	60	50
17- 175 Rockwell 7 @ 21	357	77	274
71- 250 Metric 9 @ 25	1775	70	1242
15- 250 American 8 @ 25	375	73	273
8- 250 Rockwell 6 @ 25	200	80	160
1- 250 Superior 7 @ 25	25	77	19
145	\$ 3,442	73%	\$ 2,519

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6. Meter Installation

145 @7.50	\$ 1,088	73%	\$ 795
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7. House Regulators

17-(Rockwell 107) 10 yrs. @ \$13.82	\$ 235	67%	\$ 157
123-(Reynolds 1-M-30 9 Yrs @ 8.85	1089	70%	762
5-(Misc 1-M-30) 9 Yrs @ 8.85	44	70%	31
145	\$ 1368	69%	\$ 944



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8. House Regulator Installation	Reconstruction Cost New	Percent Condition	Present Value
145 - @ \$10.00	\$ 1,450	69%	\$ 1,000

Page 14 Subject (Consumers Gas Company) Date: 9-19-63

1. -Structures	\$ 550	75%	417
2. Pipe	215,489	51%	110,979
3. Measuring & Regulating	4,667	85%	3,985
4. Services	25,290	54%	13,656
5. Meters	18,317	66%	11,966
6. Meter Installations	5,235	66%	3,455
7. Service Regulators	8,015	80%	6,393
8. Regulator Installations	6,980	80%	5,584
9. Transportation	4,950	N/A	3,145
10. Shop Equipment & Stores	5,660	88%	5,023
11. Lands & Rights of Way	200	N/A	200
Total Consumers Gas Co.	\$ 295,353	56%	\$ 164,803

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## 1. Structures

9 - Wooden Meter Houses, Avg size 5'x5', Wooden floor, tar paper roofing on 6 and Tin roofing on 3, concrete block supports 9 @ \$50	\$ 450	75%	\$ 337
1 - Concrete Block Meter house 6'-8"x7'-6", Avg Height 6'-6" Corrugated Metal Roof, Wood door 1 @ \$100	\$ 100	80%	\$ 80
Total Structures	\$ 550	75%	\$ 417

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## 2. Pipe

## A. P. E. Welded

50 3" 2 yr 19,610' \$200	\$ 39,220	93%	\$ 36,474
50 2" 6 Yr 20,125' 1.30	26,162	76%	19,883

## B. Screwed

75 4" 22 Yrs 750' \$2.35	\$ 1,762	45%	\$ 793
50 3" 22 3,275 2.00	6,550	45%	2,948
50 2" 14 85,810 1.30	111,553	35%	39,044
35 1 1/4" 11 950 0.83	788	45%	355
35 1" 12 36,800 0.78	28,704	40%	11,482
25 3/4" 21 1,000 0.75	750	None	None

## Total Pipe

\$ 215,489	51%	\$ 110,979
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## 3. Measuring &amp; Regulating

4-Foxboro Orifice Meters 0-250#	\$ 1,380	87%	\$ 1,200
(59) 2-" " " 0-500#	690	87%	600
3-Rockwell " " No 201	1,395	87%	1,213
2-Foxboro Flow Meters No 117	690	87%	600
7-Chapline Fulton Regul. #44	190	73%	138
2-" " " 57-5	190	73%	138
1-" " " D-32	57	73%	41
(30) 1-" " " 1"HP	32	73%	23
3-Rockwell " " #118	15	73%	11
1-" " " 101HP	20	73%	15
1-Reynolds " " 1-M-30	8	73%	6

Total Measuring & Regulating \$	4,667	85%	\$ 3,985
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## 4. Services

843 - 1"-1 1/4"-2" Services	\$ 25,290	54%	\$ 13,656
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## 5. Meters

## A In Service:

				Reconstruction Cost New	Percent Condition	Present Value
334 - #150 Rockwell	13 Yrs @ \$21			\$ 7,014	57%	\$ 8,998
130 - 175 "	5 Yrs @ 21			2,730	83%	2,265
10 - 250 "	5 @ 25			250	83%	208
5 - 310 "	10 @ 27			135	67%	90
3 - 415 "	2 @ 51			153	93%	142
9 - 750 "	4 @ 130			1,170	87%	1,018
(40) 39 - 175 American	10 @ 21			819	67%	549
3 - 225 "	8 @ 23			69	73%	50
35 - 250 "	8 @ 25			875	70%	613
109 - 175 Metric	15 @ 21			2,289	50%	1,145
6 - 175 Superior	3 @ 21			126	90%	113
15 - 250 "	2 @ 25			375	93%	349

698 \$ 16,005 66% \$ 14,840

## B. In Stock:

10 - #150 Rockwell	10 Yrs @ \$21	\$ 210	67%	\$ 140
33 - #175 "	15 @ 21	693	50%	347
6 - #250 "	6 @ 25	150	80%	120
1 - #310 "	12 @ 27	27	60%	16
1 - #415 "	11 @ 51	51	63%	32
1 - # 2 "	15 @ 51	51	50%	26
36 - #175 American	10 @ 21	756	67%	507
13 - #225 "	13 @ 23	299	57%	170
3 - #250 "	3 @ 25	75	90%	68

104 \$ 2,312 67% \$ 1,426

Total Meters \$ 18,317 66% \$ 11,966

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## 6. Meter Installations

698 @7.50 \$ 5,235 66% \$ 3,455

## 7. Service Regulators

## In Service:

693 - House Regulators Reynolds, Rockwell Fisher, @ 10.50	7,276	80%	\$ 5,820
3 - Reynolds #8598 @ 36.50	109	75%	82
2 - Reynolds 2" @ 76.00	152	75%	114

## In Stock:

4 - 107-1 @ 8.50	34	80%	27
3 - 107-2 @13.32	40	80%	32
36 - 8100 @ 8.50	306	80%	244
3 - 1-M-30@ 8.50	25	80%	20
2 - 8500 @36.50	73	80%	58

Total Service Regulators \$ 8,015 80% \$ 6,397

## 8. Regulator Installations

698 - 10.00 \$ 6,980 80% \$ 5,584

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## 9. Transportation

1 - 1963 Ford F-100-8	\$ 2,250	Ford Dealer	\$ 1,795
1 - 1961 Dodge Model RD2 Express Body Style	2,700	NADA	1,350
Total Transportation	\$ 4,950	N/A	\$ 3,145

## 10. Shop Equipment &amp; Stores

1-- V Columbian D44-M2	\$ 25	60%	\$ 15
1 - Bench Grinder-Delco Motor Type A 1/3 HP	65	60%	39
1- Bench Grinder - AC Motor 1/4 HP	50	60%	30
1- Rockwell Meter Prover #1273	1,100	80%	880
1- Compressor & Tank-Auto Compressor Co. 1HP Motor 0-300#	750	80%	600
1-Welding Outfit -Lin O Welder AC 250 K Transformer ARC(Welder 60 AMP 30-300 Gauge	175	80%	140



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	Reconstruction Cost	Percent Condition	Present Value
1-Lot Nipples, Ells, Tees & Parts	\$ 300	95%	\$ 285
960 - Lin Ft of 2" P.E. Pipe @ .38	365	95%	346
4042 - Lin Ft of 3 P.E. Pipe @ .70	2,830	95%	2,688
<hr/>			
Total Shop Equipment	\$ 5,660	88%	\$ 5,023

Page 20 Date: 9-20-63

11. Lands & Rights of Way

R/W Purchased along  
U.S. 23 Near Pikeville  
and in Shelby

\$ 200 N/A \$ 200

1.

PURCHASE PRICE:

The Purchase price shall be apportioned and paid four-fifths (4/5) to the Consumers Natural Gas Company of Kentucky, Inc. and One-Fifth (1/5) to the Kentucky Shale Gas Company, Inc.

11.

PROPERTY SOLD:

It is understood that the physical assets only are embraced in this sale and that no intangibles, such as cash on hand or in the bank or accounts receivable, are included in this contract and that the City is not to assume or become liable for any accounts payable or customers deposits owed by the Sellers.

The transfer of the physical properties and ownership shall be effective January 1, 1964, at 12:01 a.m., and it is understood that the Sellers will read the meters on all service lines as nearly as possible on December 31, 1963, and January 1, 1964, and will likewise read or have read the gas purchase meters as nearly as possible on December 31, 1963, and January 1, 1964, and that all gas sold and purchased after these readings shall be treated and considered as the assets and liabilities, respectively, of the City.

111.

PAYMENT OF PURCHASE PRICE AND ESCROW AGREEMENT:

It is understood that the City has contracted with the firm of Merrill, Lynch, Pierce, Fenner & Smith to act as its Fiscal Agent in the issuance and sale of sufficient revenue bonds under existing Kentucky Statutes to produce sufficient funds to pay for the consideration of this purchase together with certain additions to this and to its existing distribution system and the incidental costs of acquisition of these properties, and that it may be as late as April 1, 1964, before such bonds can be issued and marketed and money available for these purposes, and it is understood and agreed that in the event the City does not have funds available on January 1, 1964, with which to pay the purchase price in full, then the City will segregate the receipts from all gas sold to customers served by the systems covered by this contract, or either of them, and deposit same in an escrow account to the credit of Consumers Natural Gas Company and in an escrow account to the credit of Kentucky Shale Gas Co. in the Citizens Bank of Pikeville on a day to day basis as received, the same to be held in said accounts in escrow subject to these conditions.

(a) These funds cannot be withdrawn without the written consent of the Sellers, until the purchase price is paid in full.

(b) In the event the City fails to pay the purchase price, above recited, in full on or before April 1, 1964, all of the funds, above mentioned, shall be paid to the Sellers and treated and considered as liquidated damages for breach of contract, provided, however, if the revenue bonds, above mentioned, have been authorized and are being processed in good faith and have been advertised for sale, then the City shall have the right to extend this arrangement for another period of thirty (30) days.

(c) In the event and upon the occasion of the payment of the purchase money in full to the Sellers, then the funds so deposited shall be paid to the City

(d) The Citizens Bank of Pikeville is authorized to release and pay out the funds deposited pursuant to this agreement:

(1) To the City upon the joint written request of the City and the Sellers or upon presentation of receipts showing full payment of the purchase price in accordance with this agreement, or

(2) To the Sellers upon the failure of the City to produce a joint request or receipt of the Sellers showing full payment of the purchase price on



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or before May 1, 1964.

Payment by the Citizens Bank of Pikeville, according to either of the foregoing authorizations, shall relieve said Bank of all further obligation thereunder.

FORFEITURE:

It is further understood and agreed that in the event the City fails to pay the purchase money, above recited, in full on or before April 1, 1964, or before the first day of May, 1964, if extension is obtained under the provisions of Paragraph 111 (b) hereof, then this contract shall be null and void and the City shall have no further interest in the properties or possession thereof, and the Sellers shall have the absolute right to immediate repossession of all the physical assets covered by this contract as well as the money deposited in escrow as provided in numerical Paragraph 111 hereof.

In the event of forfeiture, all improvements, service connections, meters and additions made by the City shall become the property of the Sellers and shall be considered part of the liquidated damages.

It is further agreed that the City shall maintain the systems in good operating condition at its expense from the date of taking possession thereof until and in the event this contract shall become null and void.

V.

DOWN PAYMENT:

It is further understood and agreed that to guarantee the good faith of the City, the sum of Ten Thousand Dollars (\$10,000.00) shall be paid to the Sellers, Eight Thousand Dollars (\$8,000.00) to Consumers Natural Gas Company of Kentucky, Inc. and \$2,000.00 to the Kentucky Shale Gas Company, Inc., on the first day of January, 1964, upon the transfer of the physical properties covered by this contract, which shall be treated as a payment on and credited to the purchase price to be paid as herein provided at the time the balance of the full purchase price is paid, but if the full purchase price is not paid then said sum of Ten Thousand Dollars (\$10,000.00) shall be forfeited and remain the property of the Sellers and shall be treated and considered as additional liquidated damages for breach of contract.

VI.

ADDITIONAL SERVICE EQUIPMENT:

It is further understood and agreed that there will be additional lines and service equipment installed for new customers between the date of this contract and final transfer on January 1, 1964, which will be installed at the expense of the Sellers. It is agreed that the Sellers will keep an accurate account of all such installations, including labor and materials, and that the City will be required to pay Sellers for the cost thereof in addition to the purchase price herein provided.

VII.

RIGHT TO DISCONNECT RESERVED BY SELLERS:

It is further understood and agreed that the Sellers reserve the right to disconnect the service of any customer who fails or refuses to pay for gas purchased from Sellers prior to January 1, 1964, provided such disconnects are made prior to February 20, 1964.

VIII.

MAINTENANCE OF PRESENT RATES:

It is understood and agreed that the City will maintain the present rates applicable to all customers now served by both systems covered by this contract until such time as the purchase price is paid in full as herein provided.

IX.

RIGHT TO INSPECT:

It is understood and agreed that the Sellers shall have the right to inspect the books and records of the City, including all of the receipts issued for gas service from the systems covered by this contract and all billings therefor after January 1, 1964, until such time as the full purchase price has been paid, to the end that the Sellers may be assured that all the money received by the City for gas sold to customers served by the system covered by this agreement is deposited in escrow, as above provided, and if the Sellers so desire they may have a Clerk or other representative present at any and all times during business hours when the office of the Utilities Department of the City is open for these purposes.

And as a further guarantee for performance by the City of the agreement with reference to the escrow deposits, the City will maintain the same system of



# MINUTES } CITY OF PIKEVILLE

accounting and ledgers covering customers accounts as are now maintained by the Sellers until such time as the purchase price is paid in full, as herein provided, and the City will furnish to the Sellers a daily statement showing all receipts and deposits to the escrow account.

X.

## RETENTION OF SERVICE EMPLOYEES:

It is further understood and agreed that during the interim from the take-over on January 1, 1964, until the purchase price is paid in full, as herein provided, the City will retain in its employ in the operation of the systems covered by this contract the following persons: Bobby Justice, Chief Service Man, and Lundy Goff, Chief Mechanic, at their present salaries, to-wit, Bobby Justice \$350.00 per month plus hospital insurance and uniforms of the value of \$27.50 per month, and Lundy Goff \$325.00 per month plus hospital insurance and uniforms of the value of \$27.50 per month, and in the event either or both of these employees decline to work or cease to work for any reason, then the Sellers shall have the right to designate a qualified person or persons to take their place until the purchase price is paid in full.

XI.

## CONSUMERS' WAREHOUSE:

Consumers' warehouse and meter testing station located on the Call property on Ferguson Creek shall be maintained at its site until and unless the purchase price is paid, and the City agrees to assume and pay when due the rent for such site until the purchase price is paid in full.

XII.

## EXISTING CONTRACTS FOR THE PURCHASE OF GAS:

It is understood and agreed that the Sellers have the following contracts for the purchase of gas now in effect, to-wit:

(1) Contract between Big Sandy Gas Transmission Company and Consumers Natural Gas Company of Kentucky, Inc.

(2) Contract between C. D. Jacobs, Trustee, and Consumers Natural Gas Company, Inc., embracing the Noah May well on Island Creek and The Chesapeake & Ohio Railway Company well at Shalbiana, Kentucky

(3) Contract between Huffman, Connolly and Whitis embracing the well on the old Pikeville Supply & Planing Mill-Starlite property and the gas wells of the T. N. Huffman heirs on Harolds Branch.

(4) Contract between United Fuel Gas Company and Consumers Natural Gas Company of Kentucky, Inc.

(5) Contract between Kentucky Shale Gas Company, Inc. and R. H. Worden, Trustee, for the Ward well.

(6) Contract between Kentucky Shale Gas Company, Inc. and R. H. Worden, Trustee, covering the purchase of gas at the mouth of Ratliffs Creek.

(7) Contract between Kentucky Shale Gas Company, Inc. and Alert Oil and Gas Company covering the purchase of gas for certain meters on Ratliffs Creek and the Lower Pauley Addition.

(8) Contract between Kentucky Shale Gas Company, Inc. and R. H. Worden, Trustee, covering the purchase of gas from the Scott well at Coal Run, Kentucky.

(9) Contract between Kentucky Shale Gas Company, Inc. and United Fuel Gas Company covering the purchase of gas on a well located on Cedar Creek.

It is understood and agreed that as a part of the consideration for this sale the Sellers agree to transfer the benefits of these contracts to the City and the City agrees to abide by all the terms and provisions of each of these contracts.

XIII.

## INTEREST ON PURCHASE PRICE:

It is understood and agreed that in the event the purchase price is not paid in full on January 1, 1964, the outstanding balance of the purchase price shall draw interest at the rate of six percent (6%) per annum from that date until paid.

XIV.

## AUTHORIZATION:

This contract is entered into on behalf of the City pursuant to a Resolution passed by its Board of Commissioners on November 19, 1963, a copy of which is hereto attached and adopted by reference as a part of this contract, and on behalf of the Sellers by a Resolution adopted by their respective Board of Directors, a copy of which are attached hereto and adopted by reference as a part of this contract. (Refer to Minute Book, Page 145, Nov. 19, 1963 Meeting)



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XV.

WARRANTY:

This property is conveyed by the Sellers free from all encumbrances and the Sellers warrant the title generally to the property.

XVI.

ENTIRE CONTRACT:

This contract contains the entire agreement between the parties and is not severable and shall not be altered or amended in any way except by writing duly signed by the duly authorized representatives of each of the parties.

XVII.

PARTIES BOUND:

Each of the parties, their successors, representatives and assigns, are bound by all of the terms and conditions of this contract whether specifically so stated or not.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their respective names the day and year first above written.

CITY OF PIKEVILLE

By /s/ W. C. Hambley, M.D.  
Mayor

ATTEST:

/s/ Charles Huffman  
Clerk

CONSUMERS NATURAL GAS COMPANY OF  
KENTUCKY, INC.

By: /s/ Robt Holcolm  
President

ATTEST:

/s/ Henry Stratton  
Secretary

KENTUCKY SHALE GAS COMPANY, INC.

By: /s/ Robt Holcolm

ATTEST:

/s/ Herman Dotson  
Secretary

STATE OF KENTUCKY

COUNTY OF PIKE.....

I, Katherine Keller, a Notary Public in and for the County and State aforesaid, do hereby certify that the foregoing Contract of Sale was this day produced before me by Dr. W. C. Hambley, personally known to me to be the Mayor of the City of Pikeville, who acknowledged the same to be the act and deed of the City of Pikeville and of himself as Mayor thereof, and by Charles Huffman, personally known to me to be the Clerk of the City of Pikeville, who acknowledged that he attested the signature of the Mayor thereto and affixed the official seal thereto, and by Robert Holcomb, personally known to me to be the president of Consumers Natural Gas Company of Kentucky, Inc., who acknowledged the same to be the act and deed of Consumers Natural Gas Company of Kentucky, Inc. and of himself as president, and by Henry D. Stratton, personally known to me to be the Secretary of Consumers Natural Gas Company of Kentucky, Inc., who acknowledged that he attested the signature of the President thereto, and by Walter T. Hatcher, personally known to me to be the President of Kentucky Shale Gas Company, Inc., who acknowledged same to be the act and deed of Kentucky Shale Gas Company, Inc. and of himself as President thereof, and by Herman G. Dotson, personally known to me to be the Secretary of Kentucky Shale Gas Company, Inc., who acknowledged he attested the signature of the President thereto.

My commission expires July 31, 1967.



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GIVEN under my hand, this December 3rd, 1963.

/s/ Katherine Keller  
Notary Public, Pike County,  
Kentucky

O. T. Hinton, City Attorney, announced that the annexation ordinance passed by the City on November 11, 1963, had been advertised in three issues of the Pike County News as required by law and that it was now in order for the City to institute suit in the Pike Circuit Court in accordance with the provisions of K.R.S. 81.210 and other applicable statutes covering annexation and recommended that he be authorized to institute such a suit.

After full discussion the following Resolution was offered by Richard Wells, Jr.

RESOLVED that O. T. Hinton be authorized and directed to institute appropriate suit in the Pike Circuit Court to complete annexation of the property on Chloe Creek covered by the annexation ordinance passed on November 11, 1963, and to do all things necessary and incident thereto.

Richard Wells, Jr., moved the adoption of this Resolution and B. P. Bogardus seconded the motion. Upon roll call the vote was as follows:

B. P. Bogardus	Yes
W. E. Venters	Yes
Richard Wells, Jr.	Yes
W. C. Hambley, Mayor	Yes

The Mayor declared the Resolution adopted and it is so ordered.

The Mayor announced that the City Planning Commission had recommended the passage of a zoning ordinance to be adopted by the Board of Commissioners pursuant to the provisions of K.R.S. 100.010, 100.020, and 100.500 to 100.600, inclusive, and that it would be necessary to hold a public hearing thereon and give notice of the hearing at least fifteen days in advance of the hearing and offered the following Resolution.

BE IT RESOLVED that the zoning ordinance proposed for the City of Pikeville by the City Planning Commission, copy of which is attached to the Resolution and conforming to the provisions of KRS 100.010, 100.020, and 100.500 to 100.600, inclusive, be adopted by the Board of Commissioners of the City and that a public hearing be held thereon pursuant to the provisions of KRS 100.530 at the City Hall in Pikeville, Kentucky, on Friday, December 20, 1963, at 7:30 p.m. and that notice of the time, place and purpose of said meeting be published in the Pike County News in the issue of December 5, 1963.

B. P. Bogardus moved the adoption of the above Resolution. Richard Wells, Jr., seconded the motion. Upon roll call the vote was as follows:

B. P. Bogardus	Yes
W. E. Venters	Yes
Richard Wells, Jr.	Yes
W. C. Hambley, Mayor	Yes

The Mayor declared the Resolution adopted and it is so ordered.

No further business coming before the meeting, the same was declared adjourned.

APPROVED:

W. C. Hambley Mayor

ATTEST:

Charles L. Huffman Clerk

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