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May 10, 2007

TERESA W. CHAN
JOE P. LENISKI, JR.
B. DENARD MICKENS
J. GERARD STRANCH, IV
MICHAEL J. WALL

*ALSO ADMITTED IN GA

Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Via Hand Delivery

filed electronically in docket office on 05/10/07

Attention: Sharla Dillon

Re: Petition of Lynwood Utility Corporation To Change and Increase Rates and
Charges
Docket No. 07-00007

Dear Chairman Kyle:

I have enclosed an original and five copies of Lynwood Utility Corporation's Fourth Supplemental Response to Consumer Advocate's First Discovery Request to Lynwood Utility Corporation.

Although not requested in the Consumer Advocate's First Discovery Request to Lynwood Utility Corporation, the Consumer Advocate made an informal request for Lynwood's 2006 income tax return. I have enclosed six copies of the 2006 income tax return for Southern Utility Corporation and its subsidiary, Lynwood Utility Corporation.

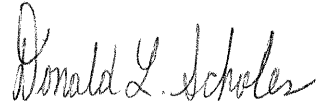
This Fourth Supplemental Response, the 2006 income tax return for Southern Utility Corporation and its subsidiary, Lynwood Utility Corporation, and this cover letter are being filed electronically by electronic mail this same date. A copy has been served on the Ryan McGeehee, Counsel for the Consumer Advocate.

Please return the additional copy of the Fourth Supplemental Response and of the 2006 income tax return Southern Utility Corporation and its subsidiary, Lynwood Utility Corporation stamp filed to me.

Sara Kyle, Chairman
May 10, 2007
Page 2

Thank you for your assistance.

Sincerely yours,

A handwritten signature in cursive script that reads "Donald L. Scholes". The signature is written in dark ink and is positioned above the printed name.

DONALD L. SCHOLLES

Enclosures

c: Tyler Ring
Jim Ford
Ryan McGeehee, Consumer Advocate

IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:)	
)	
PETITION OF LYNWOOD UTILITY)	DOCKET NO. 07-00007
CORPORATION TO CHANGE AND)	
INCREASE CERTAIN RATES AND)	
CHARGES)	
)	

**FOURTH SUPPLEMENTAL RESPONSE TO CONSUMER ADVOCATE'S FIRST
DISCOVERY REQUEST TO LYNWOOD UTILITY CORPORATION**

To: Ryan McGeehee
Counsel for Consumer Advocate
Office of the Tennessee Attorney General and Reporter,
Consumer Advocate and Protection Division
425 Fifth Avenue North
Nashville, TN 37243

The following is the Fourth Supplemental Response to the Consumer Advocate's First
Discovery Requests directed to Lynwood Utility Corporation (the Company or Lynwood):

FIRST DISCOVERY REQUESTS

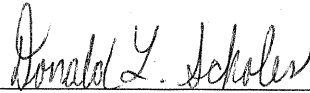
16. Identify and describe with specificity all new plant additions, modifications or
improvements since 2003.

RESPONSE: See attached Fourth Supplemental Response to Request No. 16. This
Response has additional invoices which support the new plant additions and modifications to the

Lynwood plant and collection system for 2002 through 2006 which were not available when the Second Supplemental Response was filed on April 26, 2007.

Dated May 10, 2007.

Respectfully submitted,



DONALD L. SCHOLES BPR #10102
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue North, Fourth Floor
Nashville, TN 37219
615-254-8801

Attorney for Lynwood Utility Corporation

E. Roberts Alley & Associates, Inc.

Project Billing

Selection: project
(Project ID One of: 2002-3227)

Project	Project Title	BMGrp	Type	Billing	Retainage	Retainer	Payments	Credits	Uncollectible	Balance
2002-322	Client: [90048] Lynwood Utility Corp. (Mission Prop.) Lynwood Utility District - Nitrogen Study	001	Cost Plus	27,185.50	0.00	0.00	27,185.50	0.00	0.00	0.00
	Project 2002-322 for Client 90048 Totals:			27,185.50	0.00	0.00	27,185.50	0.00	0.00	0.00
	Client 90048 Totals:			27,185.50	0.00	0.00	27,185.50	0.00	0.00	0.00
	Report Totals:			27,185.50	0.00	0.00	27,185.50	0.00	0.00	0.00

E. Roberts Alley & Associates, Inc.

Project Billing

Selection: project
(Project ID One of: 993787)

Project	Project Title	Bill To	Type	Billing	Retainage	Retainer	Payments	Credits	Uncollectible	Balance
99378	Client: [70051] Lynwood Utility Corporation Lynwood U.D. Planning Report for Serving Farmington, Hillsb 001		Cost Plus	5,852.85	0.00	0.00	5,852.85	0.00	0.00	0.00
	Project 99378 for Client 70051 Totals:			5,852.85	0.00	0.00	5,852.85	0.00	0.00	0.00
	Client 70051 Totals:			5,852.85	0.00	0.00	5,852.85	0.00	0.00	0.00
	Report Totals:			5,852.85	0.00	0.00	5,852.85	0.00	0.00	0.00

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James B. Ford
615-373-3697

615-776-7028
E R ALLEY & ASSOC.

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E. Roberts Alley & Associates, Inc.

Project Billing

Selection: project
(Project ID One of: 2002-4267)

Project	Project Title	BillGrp	Type	Billing	Retainage	Retainer	Payments	Credits	Uncollectible	Balance
Client: [90048] Lynnwood Utility Corp. (Mission Prop.)										
2002-426	Lynnwood Utility District - Influent Pump Station	001	Cost Plus	8,989.31	0.00	0.00	8,989.31	0.00	0.00	0.00
	Project 2002-426 for Client 90048 Totals:			8,989.31	0.00	0.00	8,989.31	0.00	0.00	0.00
	Client 90048 Totals:			8,989.31	0.00	0.00	8,989.31	0.00	0.00	0.00
	Report Totals:			8,989.31	0.00	0.00	8,989.31	0.00	0.00	0.00

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05/01/2007 10:35

James B. Ford
615-373-3697

615-776-7028
E R ALLEY & ASSOC.

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PAGE 01/04

E. Roberts Alley & Associates, Inc.

Project Billing

Selection: project
(Project ID One of: 980707)

Project	Project Title	Bill/Grp	Type	Billing	Retainage	Retainer	Payments	Credits	Uncollectible	Balance
98070	Client: [20851] Lynwood Utility Corporation Lynwood Utility District Sewage Treatment Plant Expansion	001	Fixed Fee	69,495.00	0.00	0.00	69,495.00	0.00	0.00	0.00
			Fixed Fee	205.00	0.00	0.00	205.00	0.00	0.00	0.00
			Project 98070 for Client 70051 Totals:	69,700.00	0.00	0.00	69,700.00	0.00	0.00	0.00
			Client 70051 Totals:	69,700.00	0.00	0.00	69,700.00	0.00	0.00	0.00
			Report Totals:	69,700.00	0.00	0.00	69,700.00	0.00	0.00	0.00

Post-It* Fax Note	7671	Date	5/1/07	# of pages	4
To	ERAO	From			
Co./Dept.		Co.			
Phone #		Phone #			
Fax #	776-7028	Fax #			

Printed on 5/1/2007 at 7:08:22AM

Page 1

Form **1120S**Department of the Treasury
Internal Revenue Service (77)**U.S. Income Tax Return for an S Corporation**

▶ Do not file this form unless the corporation has filed

Form 2553 to elect to be an S corporation.

EXTENSION GRANTED TO 09/15/07

OMB No. 1545-0130

2006

For calendar year 2006, or tax year beginning

, and ending

A Effective date of S election 05/15/1999	Use the IRS label. Otherwise, print or type.	Name SOUTHERN UTILITY CORPORATION AND SUBSIDIARY	C Employer identification number 62-1781405
B Business activity code number (see instructions) 221300		Number, street, and room or suite no. If a P.O. box, see instructions. 5250 VIRGINIA WAY, SUITE 100	D Date incorporated 05/15/1999
		City or town, state, and ZIP code BRENTWOOD, TN 37027	E Total assets (see instructions) \$ 1,282,848.
F Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return			
G Enter the number of shareholders in the corporation at end of the tax year 2			
H Check if Schedule M-3 is required (attach Schedule M-3) <input type="checkbox"/>			

Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1 a Gross receipts or sales 519,012	b Less returns and allowances	c Bal	1c 519,012.
	2 Cost of goods sold (Schedule A, line 8)			2
	3 Gross profit. Subtract line 2 from line 1c			3 519,012.
	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			4
	5 Other income (loss) (attach statement)			5
	6 Total income (loss). Add lines 3 through 5			6 519,012.
Deductions (See instructions for limitations)	7 Compensation of officers			7
	8 Salaries and wages (less employment credits)			8
	9 Repairs and maintenance			9 168,046.
	10 Bad debts			10
	11 Rents			11 16,667.
	12 Taxes and licenses	STATEMENT 1		12 24,437.
	13 Interest			13 96,837.
	14 Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)			14 87,585.
	15 Depletion (Do not deduct oil and gas depletion.)			15
	16 Advertising			16
	17 Pension, profit-sharing, etc., plans			17
	18 Employee benefit programs			18
	19 Other deductions (attach statement)	STATEMENT 2		19 323,212.
	20 Total deductions. Add lines 7 through 19			20 716,784.
	21 Ordinary business income (loss). Subtract line 20 from line 6			21 <197,772.>
Tax and Payments	22 a Excess net passive income or LIFO recapture tax (see instructions)	22a		22c
	b Tax from Schedule D (Form 1120S)	22b		
	c Add lines 22a and 22b			
	23 a 2006 estimated tax payments and 2005 overpayment credited to 2006	23a		23e
	b Tax deposited with Form 7004	23b		
	c Credit for federal tax paid on fuels (attach Form 4136)	23c		
	d Credit for federal telephone excise tax paid (attach Form 8913)	23d		
	e Add lines 23a through 23d			
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached			24
	25 Amount owed. If line 23e is smaller than the total of lines 22c and 24, enter amount owed			25
	26 Overpayment. If line 23e is larger than the total of lines 22c and 24, enter amount overpaid			26
27 Enter amount from line 26 Credited to 2007 estimated tax		Refunded	27	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instr.)?

☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

Via Alexander

Date

03/27/07

Check if self-employed

☒Preparer's SSN or PTIN
P00034907

Firm's name (or yours if self-employed), address, and ZIP code

KRAFTCPAS PLLC
555 GREAT CIRCLE ROAD, SUITE 200
NASHVILLE, TN 37228-1310

EIN

62-0713250

Phone no. (615) 242-7351

JWA
611701
12-28-06

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form **1120S** (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory: (i) ☐ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (Specify method used and attach explanation) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d ☐

e If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach explanation.

Schedule B Other Information (see instructions)

1	Check method of accounting: (a) <input type="checkbox"/> Cash (b) <input checked="" type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶	Yes	No
2	See the instructions and enter the: (a) Business activity ▶ UTILITY (b) Product or service ▶ SEWER		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
6	Check this box if the corporation issued publicly offered debt instruments with original issue discount If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
7	If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$		
8	Enter the accumulated earnings and profits of the corporation at the end of the tax year ▶ \$		
9	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1		X

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Pro Rata Share Items

		Total amount	
1	Ordinary business income (loss) (page 1, line 21)	1	<197,772.>
2	Net rental real estate income (loss) (attach Form 8825)	2	
3a	Other gross rental income (loss)	3a	
3b	Expenses from other rental activities (attach statement)	3b	
3c	Other net rental income (loss). Subtract line 3b from line 3a	3c	
4	Interest income	4	8.
5	Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
6	Royalties	6	
7	Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7	
8a	Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a	
8b	Collectibles (28%) gain (loss)	8b	
8c	Unrecaptured section 1250 gain (attach statement)	8c	
9	Net section 1231 gain (loss) (attach Form 4797)	9	
10	Other income (loss) (see instructions) Type ▶	10	

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		Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11	Section 179 deduction (attach Form 4562)		11	
	12a	Contributions		12a	
	b	Investment interest expense		12b	
	c	Section 59(e)(2) expenditures (1) Type ▶ (2) Amount ▶		12c(2)	
	d	Other deductions (see instructions) Type ▶		12d	
Credits	13a	Low-income housing credit (section 42(j)(5))		13a	
	b	Low-income housing credit (other)		13b	
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)		13c	
	d	Other rental real estate credits (see instructions) Type ▶		13d	
	e	Other rental credits (see instructions) Type ▶		13e	
	f	Credit for alcohol used as fuel (attach Form 6478)		13f	
	g	Other credits (see instructions) Type ▶		13g	
Foreign Transactions	14a	Name of country or U.S. possession ▶			
	b	Gross income from all sources		14b	
	c	Gross income sourced at shareholder level Foreign gross income sourced at corporate level		14c	
	d	Passive		14d	
	e	Listed categories (attach statement)		14e	
	f	General limitation Deductions allocated and apportioned at shareholder level		14f	
	g	Interest expense		14g	
	h	Other Deductions allocated and apportioned at corporate level to foreign source income		14h	
	i	Passive		14i	
	j	Listed categories (attach statement)		14j	
	k	General limitation Other information		14k	
	l	Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued		14l	
	m	Reduction in taxes available for credit (attach statement)		14m	
	n	Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) items	15a	Post-1986 depreciation adjustment		15a	3,458.
	b	Adjusted gain or loss		15b	
	c	Depletion (other than oil and gas)		15c	
	d	Oil, gas, and geothermal properties - gross income		15d	
	e	Oil, gas, and geothermal properties - deductions		15e	
	f	Other AMT items (attach statement)		15f	
Items Affecting Shareholder Basis	16a	Tax-exempt interest income		16a	
	b	Other tax-exempt income		16b	
	c	Nondeductible expenses		16c	
	d	Property distributions		16d	
	e	Repayment of loans from shareholders		16e	
Other Information	17a	Investment income		17a	8.
	b	Investment expenses		17b	
	c	Dividend distributions paid from accumulated earnings and profits		17c	
	d	Other items and amounts (attach statement)			
Reconciliation	18	Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l		18	<197,764.>

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Form 1120S (2006)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		174,102.		93,155.
2 a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (att. stmt.)	STATEMENT 6	96,285.		87,413.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. stmt.)				
10 a	Buildings and other depreciable assets	1,876,706.		1,882,659.	
b	Less accumulated depreciation	699,294.	1,177,412.	786,879.	1,095,780.
11 a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		75,000.		
13 a	Intangible assets (amortizable only)	16,531.		16,531.	
b	Less accumulated amortization	16,531.	0.	16,531.	0.
14	Other assets (att. stmt.)	STATEMENT 7	5,000.		6,500.
15	Total assets		1,527,799.		1,282,848.
Liabilities and Shareholders' Equity					
16	Accounts payable		136,987.		213,129.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (att. stmt.)	STATEMENT 8	84,547.		93,721.
19	Loans from shareholders		390,000.		390,000.
20	Mortgages, notes, bonds payable in 1 year or more		38,482.		
21	Other liabilities (att. stmt.)	STATEMENT 9	860,000.		785,000.
22	Capital stock		1,000.		1,000.
23	Additional paid-in capital		993,921.		993,921.
24	Retained earnings	STATEMENT 12	<927,138.>		<1,143,923.>
25	Adjustments to shareholders' equity (att. stmt.)				
26	Less cost of treasury stock		(50,000.)		(50,000.)
27	Total liabilities and shareholders' equity		1,527,799.		1,282,848.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1	Net income (loss) per books	<216,785.>	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14i (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14i, not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Travel and entertainment \$		STMT 11	96,837.	96,837.
STMT 10	115,858.	115,858.	7	Add lines 5 and 6	96,837.
4	Add lines 1 through 3	<100,927.>	8	Income (loss) (Schedule K, line 18). Line 4 less line 7	<197,764.>

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	<837,613.>	<89,525.>
2	Ordinary income from page 1, line 21		
3	Other additions	STATEMENT 5	
4	Loss from page 1, line 21	8.	
5	Other reductions	(197,772.)	
6	Combine lines 1 through 5	<1,035,377.>	<89,525.>
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	<1,035,377.>	<89,525.>

Depreciation and Amortization (Including Information on Listed Property) **OTHER**

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY

Business or activity to which this form relates

Identifying number

OTHER DEPRECIATION

62-1781405

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	430,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	0.
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	8,650.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	77,744.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		5,953.	5.0	HY	200DB	1,191.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year	/		40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	87,585.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V**Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.**Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No					24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No				
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use							25		
26 Property used more than 50% in a qualified business use:									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use:									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28		
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29		

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2006 tax year:					
43 Amortization of costs that began before your 2006 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))
▶ Attach to your tax return.

OMB No. 1545-0184

2006

Attachment
Sequence No. **27**

Name(s) shown on return

**SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY**

Identifying number

62-1781405

1 Enter the gross proceeds from sales or exchanges reported to you for 2006 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) **1**

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2						

3 Gain, if any, from Form 4684, line 42	3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5
6 Gain, if any, from line 32, from other than casualty or theft	6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below. Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.	7
8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)	9

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

11 Loss, if any, from line 7	11 ()
12 Gain, if any, from line 7 or amount from line 8, if applicable	12
13 Gain, if any, from line 31	13
14 Net gain or (loss) from Form 4684, lines 34 and 41a	14
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16
17 Combine lines 10 through 16	17
18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below: a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18a." See instructions	18a
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b

JWA For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2006)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:

(b) Date acquired
(mo., day, yr.)(c) Date sold
(mo., day, yr.)

A LAND

080196 112906

B

C

D

These columns relate to the properties on
lines 19A through 19D.

Property A

Property B

Property C

Property D

20 Gross sales price (Note: See line 1 before completing.)

20

75,000.

21 Cost or other basis plus expense of sale

21

75,000.

22 Depreciation (or depletion) allowed or allowable

22

23 Adjusted basis. Subtract line 22 from line 21

23

75,000.

24 Total gain. Subtract line 23 from line 20

24

0.

25 If section 1245 property:

a Depreciation allowed or allowable from line 22

25a

b Enter the smaller of line 24 or 25a

25b

26 If section 1250 property: If straight line depreciation
was used, enter -0- on line 26g, except for a corporation
subject to section 291.

a Additional depreciation after 1975

26a

b Applicable percentage multiplied by the smaller of
line 24 or line 26a

26b

c Subtract line 26a from line 24. If residential rental
property or line 24 is not more than line 26a, skip lines
26d and 26e

26c

d Additional depreciation after 1969 and before 1976

26d

e Enter the smaller of line 26c or 26d

26e

f Section 291 amount (corporations only)

26f

g Add lines 26b, 26e, and 26f

26g

0.

27 If section 1252 property: Skip this section if you did not
dispose of farmland or if this form is being completed for
a partnership (other than an electing large partnership).

a Soil, water, and land clearing expenses

27a

b Line 27a multiplied by applicable percentage

27b

c Enter the smaller of line 24 or 27b

27c

28 If section 1254 property:

a Intangible drilling and development costs, expenditures
for development of mines and other natural deposits,
and mining exploration costs

28a

b Enter the smaller of line 24 or 28a

28b

29 If section 1255 property:

a Applicable percentage of payments excluded from
income under section 126

29a

b Enter the smaller of line 24 or 29a

29b

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24

30

31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13

31

32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion
from other than casualty or theft on Form 4797, line 6

32

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions.)

33 Section 179 expense deduction or depreciation allowable in prior years

33

34 Recomputed depreciation (see instructions)

34

35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report

35

(a) Section
179(b) Section
280F(b)(2)

FORM 1120S	TAXES AND LICENSES	STATEMENT	1
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DESCRIPTION	AMOUNT
SEE CONSOLIDATED TRADE OR BUSINESS INCOME AND DEDUCTIONS	24,437.
TOTAL TO FORM 1120S, PAGE 1, LINE 12	24,437.

FORM 1120S	OTHER DEDUCTIONS	STATEMENT	2
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DESCRIPTION	AMOUNT
SEE CONSOLIDATED TRADE OR BUSINESS INCOME AND DEDUCTIONS	323,212.
TOTAL TO FORM 1120S, PAGE 1, LINE 19	323,212.

LIST OF CORPORATIONS INCLUDED IN THIS RETURN	STATEMENT	3
----------------------------------------------	-----------	---

COMPANY NUMBER	NAME AND ADDRESS OF CORPORATION	FEDERAL EMPLOYER ID NO	DATE OF QSSS ELECTION
2	SOUTHERN UTILITY CORPORATION 5250 VIRGINIA WAY, SUITE 100 BRENTWOOD, TN 37027	62-1781405	05/15/1999
3	LYNNWOOD UTILITY CORPORATION 5250 VIRGINIA WAY, SUITE 100 BRENTWOOD, TN 37027	62-1602949	05/15/1999

SCHEDULE K	INTEREST INCOME	STATEMENT	4
DESCRIPTION	US	OTHER	
SEE CONSOLIDATED SHARE OF INCOME, DEDCT			8.
TOTAL TO SCHEDULE K, LINE 4			8.

SCHEDULE M-2	ACCUMULATED ADJUSTMENTS ACCOUNT - OTHER ADDITIONS	STATEMENT	5
DESCRIPTION		AMOUNT	
PORTFOLIO INTEREST INCOME			8.
TOTAL TO SCHEDULE M-2, LINE 3 - COLUMN (A)			8.

SCHEDULE L	OTHER CURRENT ASSETS	STATEMENT	6
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR	
ELIMINATION AND ADJUSTMENT			
SEE CONSOLIDATED BALANCE SHEET	<636,810.> 733,095.	<636,810.> 724,223.	
TOTAL TO SCHEDULE L, LINE 6	96,285.	87,413.	

SCHEDULE L	OTHER ASSETS	STATEMENT	7
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR	
SEE CONSOLIDATED BALANCE SHEET	5,000.	6,500.	
TOTAL TO SCHEDULE L, LINE 14	5,000.	6,500.	

SCHEDULE L	OTHER CURRENT LIABILITIES	STATEMENT	8
------------	---------------------------	-----------	---

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
ELIMINATION AND ADJUSTMENT	<47,810.>	<47,810.>
SEE CONSOLIDATED BALANCE SHEET	132,357.	141,531.
TOTAL TO SCHEDULE L, LINE 18	84,547.	93,721.

SCHEDULE L	OTHER LIABILITIES	STATEMENT	9
------------	-------------------	-----------	---

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
ELIMINATION AND ADJUSTMENT	<589,000.>	<589,000.>
SEE CONSOLIDATED BALANCE SHEET	1,449,000.	1,374,000.
TOTAL TO SCHEDULE L, LINE 21	860,000.	785,000.

SCHEDULE M-1	EXPENSES RECORDED ON BOOKS THIS YEAR NOT INCLUDED ON SCHEDULE K	STATEMENT	10
--------------	--------------------------------------------------------------------	-----------	----

DESCRIPTION	AMOUNT
SEE CONSOLIDATED SCHEDULES M-1, M-2 AND RETAINED EARNINGS	115,858.
TOTAL TO SCHEDULE M-1, LINE 3	115,858.

SCHEDULE M-1	DEDUCTIONS ON SCHEDULE K NOT CHARGED AGAINST BOOK INCOME THIS YEAR	STATEMENT	11
--------------	-----------------------------------------------------------------------	-----------	----

DESCRIPTION	AMOUNT
SEE CONSOLIDATED SCHEDULES M-1, M-2 AND RETAINED EARNINGS	96,837.
TOTAL TO SCHEDULE M-1, LINE 6	96,837.

SCHEDULE L	ANALYSIS OF TOTAL RETAINED EARNINGS PER BOOKS	STATEMENT 12
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DESCRIPTION

AMOUNT

BALANCE AT BEGINNING OF YEAR

<927,138.>

NET INCOME PER BOOKS

<216,785.>

DISTRIBUTIONS

0.

OTHER INCREASES (DECREASES)

BALANCE AT END OF YEAR - SCHEDULE L, LINE 24, COLUMN (D)

<1,143,923.>

Consolidated Trade or Business Income and Deductions

Name **SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY**

Employer ID Number
62-1781405

Income	Combined Amounts	Elimination/ Adjustments	Consolidated Amounts
1 a Gross sales	519,012.		519,012.
b Less: returns and allowances			
c Balance	519,012.		519,012.
2 Cost of goods sold			
3 Gross profit	519,012.		519,012.
4 Net gain (loss)			
5 Other income (loss)			
6 Total income (loss)	519,012.		519,012.
Deductions			
7 Compensation of officers			
8 Salaries and wages			
9 Repairs and maintenance	168,046.		168,046.
10 Bad debts			
11 Rents	16,667.		16,667.
12 Taxes and licenses SEE STATEMENT 13	24,437.		24,437.
13 Interest	96,837.		96,837.
14 Depreciation	87,585.		87,585.
15 Depletion			
16 Advertising			
17 Pension, profit-sharing, etc., plans			
18 Employee benefit programs			
19 Other deductions SEE STATEMENT 14	323,212.		323,212.
20 Total deductions	716,784.		716,784.
21 Ordinary income (loss)	<197,772.>		<197,772.>
Cost of Goods Sold			
1 Inventory at beginning of year			
2 Purchases			
3 Cost of labor			
4 Additional section 263A costs			
5 Other costs			
6 Total. Add lines 1 through 5			
7 Inventory at end of year			
8 Cost of goods sold (Subtract line 7 from line 6)			

COMBINED TRADE OR BUSINESS INCOME AND DEDUCTIONS

SOUTHERN UTILITY CORPORATION AND SUBSIDI

62-1781405

SOUTHERN
UTILITY
CORPORATION
62-1781405

LYNNWOOD
UTILITY
CORPORATION
62-1602949

COMBINED
AMOUNTS

Income

1 a Gross sales	519,012.	519,012.
b Less: returns and allowances		
c Balance	519,012.	519,012.
2 Cost of goods sold		
3 Gross profit	519,012.	519,012.
4 Net gain (loss)		
5 Other income (loss)		
6 Total income (loss)	519,012.	519,012.

Deductions

7 Compensation of officers		
8 Salaries and wages		
9 Repairs and maintenance	168,046.	168,046.
10 Bad debts		
11 Rents	16,667.	16,667.
12 Taxes and licenses	24,437.	24,317.
13 Interest	120.	96,837.
14 Depreciation	87,585.	87,585.
15 Depletion		
16 Advertising		
17 Pension, profit-sharing, etc., plans		
18 Employee benefit program		
19 Other deductions	323,212.	323,212.
20 Total deductions	716,784.	716,664.
21 Ordinary income (loss)	<197,772.>	<197,652.>

Cost of Goods Sold

1 Inventory at beginning of year	
2 Purchases	
3 Cost of labor	
4 Additional section 263A costs	
5 Other costs	
6 Total. Add lines 1 through 5	
7 Inventory at end of year	
8 Cost of goods sold (line 6 less line 7)	

OTHER DEDUCTIONS

TRADE OR BUSINESS

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
ACCOUNTING FEES	30,998.	30,998.
BANK CHARGES	108.	108.
BILLING & COLLECTION FEES	42,118.	42,118.
ENGINEERING EXPENSES	16,287.	16,287.
INSURANCE	9,554.	9,554.
LEGAL & PROFESSIONAL	49,001.	49,001.
MANAGEMENT FEES	66,293.	66,293.
MEMBERSHIP DUES	2,302.	2,302.
MISCELLANEOUS EXPENSE	20.	20.
OFFICE SUPPLIES	993.	993.
PERMITS	1,878.	1,878.
PLANT SUPPLIES	21,545.	21,545.
SLUDGE DISPOSAL	17,592.	17,592.
TELEPHONE EXPENSE	3,147.	3,147.
UTILITIES	58,724.	58,724.
UTILITY REGULATORY ASSESSMENT FEE	2,652.	2,652.
TOTAL	323,212.	323,212.

Consolidated Shareholders' Shares of Income, Deductions, Credits, etc.

Name **SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY**

Employer ID Number
62-1781405

Income (loss)	Combined Amounts	Elimination / Adjustments	Consolidated Amounts
1 Ordinary business income (loss)	<197,772.>		<197,772.>
2 Net rental real estate income (loss)			
3a Other gross rental income (loss)			
b Expenses from other rental			
c Other net rental income (loss)			
4 Interest income STATEMENT 15	8.		8.
5a Ordinary dividends			
b Qualified dividends			
6 Royalties			
7 Net short-term capital gain (loss)			
8a Net long-term capital gain (loss)			
b Collectibles (28%) gain (loss)			
c Unrecaptured section 1250 gain			
9 Net section 1231 gain (loss)			
10 Other income (loss)			
Deductions			
11 Section 179 deduction			
12a Charitable contributions			
b Investment interest expense			
c Section 59(e)(2) expenditures			
d(1) Deductions related to portfolio income			
(2) Other deductions			
Credit and Credit Recapture			
13a Low-income housing credit (section 42(j)(5))			
b Low-income housing credit (other)			
c Qualified rehabilitation expenditures (rental real estate)			
d Other rental real estate credits			
e Other rental credits			
f Credit for alcohol used as fuel			
g Other credits and credit recapture			
Foreign Transactions			
14b Gross income from all sources			
c Gross income sourced at shareholder level			
Foreign gross income sourced at corporate level:			
d Passive			
e Listed categories			
f General limitation			
Deductions allocated and apportioned at shareholder level:			
g Interest expense			
h Other			
Deductions allocated and apportioned at corporate level:			
i Passive			
j Listed categories			
k General limitation			
Other information:			
l(1) Total foreign taxes paid			
(2) Total foreign taxes accrued			
m Reduction in taxes available for credit			
Alternative Minimum Tax Items			
15a Post-1986 depreciation adjustment	3,458.		3,458.
b Adjusted gain or loss			
c Depletion (other than oil and gas)			
d Oil, gas, or geothermal properties - gross income			
e Oil, gas, or geothermal properties - deductions			
f Other AMT items			

Consolidated Shareholders' Share of Other Items

Name SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY

Employer ID Number
62-1781405

Items Affecting Shareholder Basis	Combined Amounts	Elimination/Adjustments	Consolidated Amounts
16a Tax-exempt interest income			
b Other tax-exempt income			
c Nondeductible expenses			
d Property distributions			
e Repayment of loans from shareholders			
Other Information			
17a Investment income	8.		8.
b Investment expenses			
c Dividend distributions paid from accumulated earnings and profits			
d Other items and amounts			
e Income (loss)	<197,764.>		<197,764.>

COMBINED SHAREHOLDERS' SHARES OF INCOME, DEDUCTIONS AND CREDITS

62-1781405

SOUTHERN UTILITY CORPORATION AND SUBSIDI

COMBINED
AMOUNTS

SOUTHERN
UTILITY
CORPORATION
62-1781405

LYNNWOOD
UTILITY
CORPORATION
62-1602949

Income (Loss)

1 Ordinary business income (loss) <197,772.> <120.> <197,652.>

2 Net rental real estate income (loss)

3 Other net rental income (loss) 8.

4 Interest income 8.

5 a Ordinary dividends

b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8 a Net long-term capital gain (loss)

b Collectibles (28%) gain (loss)

c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

Deductions

11 Section 179 deduction

12 a Charitable contributions

b Investment interest expense

c Section 59(e)(2) expenditures

d(1) Portfolio deductions

(2) Other deductions

Credits and Credit Recapture

13 a Low-income housing credit (sec 42(j)(5))

b Low-income housing credit (other)

c Qualified rehabilitation expenditures (rental real estate)

d Other rental real estate credits

e Other rental credits

f Credit for alcohol used as fuel

g Other credits and credit recapture

COMBINED SHAREHOLDERS' SHARES OF OTHER ITEMS

62-1781405

SOUTHERN UTILITY CORPORATION AND SUBSIDI

COMBINED
AMOUNTS

SOUTHERN
UTILITY
CORPORATION
62-1781405

LYNNWOOD
UTILITY
CORPORATION
62-1602949

Foreign Transactions

- 14b Gross income from all sources
- c Gross income sourced at shareholder level
- Foreign gross income sourced at corporate level:
- d Passive
- e Listed categories
- f General limitation
- Deductions allocated and apportioned at shareholder level:
- g Interest expense
- h Other
- Deductions allocated and apportioned at corporate level:
- i Passive
- j Listed categories
- k General limitations
- Other information:
- l(1) Total foreign taxes paid
- (2) Total foreign taxes accrued
- m Reduction in taxes available for credit

Alternative Minimum Tax Items

- 15a Post-1986 depreciation adjustment
- b Adjusted gain or loss
- c Depletion (other than oil and gas)
- d Oil, gas, or geothermal properties- gross income
- e Oil, gas, or geothermal properties- deductions
- f Other AMT items

Items Affecting Shareholder Basis

- 16a Tax-exempt interest income
- b Other tax-exempt income
- c Nondeductible expenses
- d Property distributions
- e Repayment of loans from shareholders

Other Information

- 17a Investment income
- b Investment expenses
- c Dividend distributions paid from accumulated earnings and profits
- d Other items
- e Income (loss)

SCHEDULE K

INTEREST INCOME

STATEMENT 15

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
INTEREST	8.	8.
TOTAL	8.	8.

Consolidated Beginning Balance Sheet

Name

SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY

Employer identification number

62-1781405

Assets	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cash	174,102.		174,102.
Trade notes and accounts receivable			
Less allowance for bad debts			
Inventories			
U.S. government obligations			
Tax-exempt securities			
Other current assets STATEMENT 16	733,095.	<636,810.>	96,285.
Loans to shareholders			
Mortgage and real estate loans			
Other investments			
Buildings and other depreciable assets	1,876,706.		1,876,706.
Less accumulated depreciation	699,294.		699,294.
Depletable assets			
Less accumulated depletion			
Land (net of any amortization)	75,000.		75,000.
Intangible assets (amortizable only)	16,531.		16,531.
Less accumulated amortization	16,531.		16,531.
Other assets STATEMENT 17	5,000.		5,000.
Total Assets	2,164,609.	<636,810.>	1,527,799.
Liabilities and Shareholders' Equity			
Accounts payable	136,987.		136,987.
Mortgages, notes, bonds payable in less than 1 year			
Other current liabilities STATEMENT 18	132,357.	<47,810.>	84,547.
Loans from shareholders	390,000.		390,000.
Mortgages, notes, bonds payable in 1 year or more	38,482.		38,482.
Other liabilities STATEMENT 19	1,449,000.	<589,000.>	860,000.
Capital stock	1,000.		1,000.
Additional paid-in capital	993,921.		993,921.
Retained earnings	<927,138.>		<927,138.>
Adjustments to shareholders' equity			
Less cost of treasury stock	50,000.		50,000.
Total Liabilities and Shareholders' Equity	2,164,609.	<636,810.>	1,527,799.

COMBINED BEGINNING BALANCE SHEET

62-1781405

SOUTHERN UTILITY CORPORATION AND SUBSIDI

	COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION 62-1781405	LYNNWOOD UTILITY CORPORATION 62-1602949
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Assets

Cash	174,102.	342.	173,760.
Trade notes and accounts receivable			
Less allowance for bad debts			
Inventories			
U.S. government obligations			
Tax-exempt securities	733,095.	636,810.	96,285.
Other current assets			
Loans to shareholders			
Mortgage and real estate loans			
Other investments			
Buildings and other depreciable assets	1,876,706.		1,876,706.
Less accumulated depreciation	699,294.		699,294.
Depletable assets			
Less accumulated depletion	75,000.		75,000.
Land (net of any amortization)	16,531.		16,531.
Intangible assets (amortizable only)	16,531.		16,531.
Less accumulated amortization	5,000.		5,000.
Other assets			
Total Assets	2,164,609.	637,152.	1,527,457.

Liabilities and Shareholders' Equity

Accounts payable	136,987.		136,987.
Mortgages, notes, bonds payable in less than 1 year			
Other current liabilities	132,357.	100.	132,257.
Loans from shareholders	390,000.	390,000.	
Mortgages, notes, bonds payable in 1 year or more	38,482.		38,482.
Other liabilities	1,449,000.	449,000.	1,000,000.
Capital stock	1,000.		1,000.
Additional paid-in capital	993,921.		993,921.
Retained earnings	<927,138.>	<151,948.>	<775,190.>
Adjustments to shareholders' equity			
Less cost of treasury stock	50,000.	50,000.	
Total Liabilities and Shareholders' Equity	2,164,609.	637,152.	1,527,457.

SCHEDULE L

OTHER CURRENT ASSETS

STATEMENT 16

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
A/R - OTHER	84,285.	84,285.
ACCRUED INTEREST	47,810.	
CONTRIBUTION IN AID OF CONSTRUCTION	12,000.	12,000.
LOAN RECEIVABLE - LYNNWOOD UTILITY		
CORPORATION	589,000.	
TN F&E RECEIVABLE		
• ELIMINATION AND ADJUSTMENTS	<636,810.>	
TOTAL	96,285.	96,285.

SCHEDULE L				OTHER ASSETS	STATEMENT	17
COMBINED AMOUNTS				SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION	
				62-1781405	62-1602949	
BOND FOR EXPANSION / ESCROW				5,000.	5,000.	
RENT DEPOSIT				5,000.	5,000.	
TOTAL						

SCHEDULE L	OTHER CURRENT LIABILITIES			STATEMENT 18
	COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION	
	62-1781405	62-1602949		
ACCRUED INTEREST PAYABLE	100,833.		100,833.	
ACCRUED TN F&E EXPENSES	1,591.	100.	1,491.	
ACCRUED TN INSPECTION FEE	1,488.		1,488.	
CHAPELWOOD PERFORMANCE BOND	6,500.		6,500.	
PROPERTY TAXES PAYABLE	21,945.		21,945.	
• ELIMINATION AND ADJUSTMENTS	<47,810.>			
TOTAL	84,547.	100.	132,257.	

SCHEDULE L

OTHER LIABILITIES

STATEMENT 19

	COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
L/P - SOUTHERN UTILITIES CORPORATION	589,000.		589,000.
L/P - TENNESSEE CONTRACTORS	411,000.		411,000.
NOTE PAYABLE - J&C PROPERTIES	99,000.	99,000.	
NOTE PAYABLE - LUMBERMANS	300,000.	300,000.	
NOTE PAYABLE - SC VENTURES	50,000.	50,000.	
• ELIMINATION AND ADJUSTMENTS	<589,000.>		
TOTAL	860,000.	449,000.	1,000,000.

Consolidated Ending Balance Sheet

Name

SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY

Employer identification number

62-1781405

Assets	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cash	93,155.		93,155.
Trade notes and accounts receivable			
Less allowance for bad debts			
Inventories			
U.S. government obligations			
Tax-exempt securities			
Other current assets STATEMENT 20	724,223.	<636,810.>	87,413.
Loans to shareholders			
Mortgage and real estate loans			
Other investments			
Buildings and other depreciable assets	1,882,659.		1,882,659.
Less accumulated depreciation	786,879.		786,879.
Depletable assets			
Less accumulated depletion			
Land (net of any amortization)			
Intangible assets (amortizable only)	16,531.		16,531.
Less accumulated amortization	16,531.		16,531.
Other assets STATEMENT 21	6,500.		6,500.
Total Assets	1,919,658.	<636,810.>	1,282,848.
Liabilities and Shareholders' Equity			
Accounts payable	213,129.		213,129.
Mortgages, notes, bonds payable in less than 1 year			
Other current liabilities STATEMENT 22	141,531.	<47,810.>	93,721.
Loans from shareholders	390,000.		390,000.
Mortgages, notes, bonds payable in 1 year or more			
Other liabilities STATEMENT 23	1,374,000.	<589,000.>	785,000.
Capital stock	1,000.		1,000.
Additional paid-in capital	993,921.		993,921.
Retained earnings	<1,143,923.>		<1,143,923.>
Adjustments to shareholders' equity			
Less cost of treasury stock	50,000.		50,000.
Total Liabilities and Shareholders' Equity	1,919,658.	<636,810.>	1,282,848.

COMBINED ENDING BALANCE SHEET

62-1781405

SOUTHERN UTILITY CORPORATION AND SUBSIDI

COMBINED
AMOUNTS

SOUTHERN
UTILITY
CORPORATION
62-1781405

LYNNWOOD
UTILITY
CORPORATION
62-1602949

Assets

Cash	93,155.	222.	92,933.
Trade notes and accounts receivable			
Less allowance for bad debts			
Inventories			
U.S. government obligations			
Tax-exempt securities			
Other current assets	724,223.	636,810.	87,413.
Loans to shareholders			
Mortgage and real estate loans			
Other investments			
Buildings and other depreciable assets	1,882,659.		1,882,659.
Less accumulated depreciation	786,879.		786,879.
Depletable assets			
Less accumulated depletion			
Land (net of any amortization)	16,531.		16,531.
Intangible assets (amortizable only)	16,531.		16,531.
Less accumulated amortization	6,500.		6,500.
Other assets			
Total Assets	1,919,658.	637,032.	1,282,626.

Liabilities and Shareholders' Equity

Accounts payable	213,129.		213,129.
Mortgages, notes, bonds payable in less than 1 year			
Other current liabilities	141,531.		141,431.
Loans from shareholders	390,000.	100.	
Mortgages, notes, bonds payable in 1 year or more		390,000.	
Other liabilities	1,374,000.	449,000.	925,000.
Capital stock	1,000.		1,000.
Additional paid-in capital	993,921.		993,921.
Retained earnings	<1,143,923.>	<152,068.>	<991,855.>
Adjustments to shareholders' equity			
Less cost of treasury stock	50,000.	50,000.	
Total Liabilities and Shareholders' Equity	1,919,658.	637,032.	1,282,626.

SCHEDULE L

OTHER CURRENT ASSETS

STATEMENT 20

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
A/R - OTHER	87,326.	87,326.
ACCRUED INTEREST	47,810.	47,810.
CONTRIBUTION IN AID OF CONSTRUCTION		
LOAN RECEIVABLE - LYNNWOOD UTILITY	589,000.	589,000.
CORPORATION	87.	87.
TN F&E RECEIVABLE	<636,810.>	
• ELIMINATION AND ADJUSTMENTS		
TOTAL	87,413.	87,413.

SCHEDULE L	OTHER ASSETS			STATEMENT	21
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COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
---------------------	------------------------------------	------------------------------------

62-1781405	62-1602949
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BOND FOR EXPANSION / ESCROW
RENT DEPOSIT

5,000.	5,000.
1,500.	1,500.

TOTAL

6,500.	6,500.
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SCHEDULE L

STATEMENT 22

OTHER CURRENT LIABILITIES

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
ACCRUED INTEREST PAYABLE	119,854.	119,854.
ACCRUED TN F&E EXPENSES	100.	
ACCRUED TN INSPECTION FEE	1,402.	1,402.
CHAPELWOOD PERFORMANCE BOND		
PROPERTY TAXES PAYABLE	20,175.	20,175.
• ELIMINATION AND ADJUSTMENTS	<47,810.>	
TOTAL	93,721.	141,431.

SCHEDULE L	OTHER LIABILITIES		STATEMENT	23
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COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
L/P - SOUTHERN UTILITIES CORPORATION	589,000.	589,000.
L/P - TENNESSEE CONTRACTORS	336,000.	336,000.
NOTE PAYABLE - J&C PROPERTIES	99,000.	
NOTE PAYABLE - LUNBERMANS	300,000.	
NOTE PAYABLE - SC VENTURES	50,000.	
• ELIMINATION AND ADJUSTMENTS	<589,000.>	
TOTAL	785,000.	925,000.

Consolidated Schedule M-1

Name SOUTHERN UTILITY CORPORATION AND SUBSIDIARY		Employer ID Number 62-1781405	
	Combined Amounts	Elimination/ Adjustments	Consolidated Amounts
Net income (loss) per books	<216,785.>		<216,785.>
Income included on Schedule K, not recorded on books			
Expenses recorded on books not included on Schedule K (itemize):			
Depreciation			
Travel & entertainment			
Other STATEMENT 24	115,858.		115,858.
Total increases	<100,927.>		<100,927.>
Income recorded on books this year not included on Schedule K (itemize):			
Tax-exempt interest			
Other			
Deductions included on Schedule K not charged against book income (itemize):			
Depreciation			
Other STATEMENT 25	96,837.		96,837.
Total decreases	96,837.		96,837.
Taxable income	<197,764.>		<197,764.>

COMBINED SCHEDULE M-1

62-1781405

SOUTHERN UTILITY CORPORATION AND SUBSIDI

	COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION 62-1781405	LYNWOOD UTILITY CORPORATION 62-1602949
Net income (loss) per books			
Income included on Schedule K, not recorded on books this year	<216,785.>	<120.>	<216,665.>
Expenses recorded on books this year not included on Schedule K (itemize):			
Depreciation			
Travel & entertainment			
Other	115,858.		115,858.
Total increases	<100,927.>	<120.>	<100,807.>
Income recorded on books this year not included on Schedule K (itemize):			
Tax-exempt interest			
Other			
Deductions included on Schedule K not charged against book income this year (itemize):			
Depreciation	96,837.		96,837.
Other	96,837.		96,837.
Total decreases	<197,764.>	<120.>	<197,644.>
Taxable income			

SCHEDULE M-1

OTHER BOOK/TAX ADJUSTMENTS

STATEMENT 24

	COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
INTEREST EXPENSE	115,858.	62-1781405	62-1602949
			115,858.
TOTAL	115,858.		115,858.

SCHEDULE M-1

OTHER BOOK/TAX ADJUSTMENTS

STATEMENT 25

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
	62-1781405	62-1602949
INTEREST EXPENSE	96,837.	96,837.
TOTAL	96,837.	96,837.

Consolidated Schedule M-2 and Retained Earnings per Books

Name		Employer ID Number	
Schedule M-2 - Accumulated Adjustments Account		Combined Amounts	Elimination/ Adjustments
Beginning Balance		<837,613.>	<837,613.>
Ordinary Income			
Other Additions	STATEMENT 26	8.	8.
Ordinary Loss		197,772.	197,772.
Other Reductions			
Total before distributions		<1,035,377.>	<1,035,377.>
Distributions			
Balance at end of year		<1,035,377.>	<1,035,377.>
Schedule M-2 - Other Adjustments Account			
Beginning Balance		<89,525.>	<89,525.>
Other Additions			
Other Reductions			
Total before distributions		<89,525.>	<89,525.>
Distributions			
Balance at end of year		<89,525.>	<89,525.>
Schedule M-2 - Shareholders' Undistributed Taxable Income Previously Taxed			
Beginning Balance			0.
Distributions			
Balance at end of year			
Retained Earnings per Books			
Balance at beginning of year		<927,138.>	<927,138.>
Net income (loss) per books		<216,785.>	<216,785.>
Other increases & decreases			
Distributions			0.
Balance at end of year		<1,143,923.>	<1,143,923.>

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION 62-1781405	LYNNWOOD UTILITY CORPORATION 62-1602949
---------------------	--------------------------------------------------	--------------------------------------------------

**Schedule M-2 - Accumulated Adjustments
Account**

Beginning Balance	<837,613.>	<382.>	<837,231.>
Ordinary Income			
Other Additions	8.		
Ordinary Loss	197,772.	120.	197,652.
Other Reductions			
Total before distributions	<1,035,377.>	<502.>	<1,034,875.>
Distributions			
Balance at end of year	<1,035,377.>	<502.>	<1,034,875.>

Schedule M-2 - Other Adjustments Account

Beginning Balance	<89,525.>	<151,566.>	62,041.
Other Additions			
Other Reductions			
Total before distributions	<89,525.>	<151,566.>	62,041.
Distributions			
Balance at end of year	<89,525.>	<151,566.>	62,041.

**Schedule M-2 - Shareholders' Undistributed
Taxable Income Previously Taxed**

Beginning Balance			
Distributions			
Balance at end of year			
Retained Earnings per Books			
Balance at beginning of year	<927,138.>	<151,948.>	<775,190.>
Net income (loss) per books	<216,785.>	<120.>	<216,665.>
Other increases & decreases			
Distributions			
Balance at end of year	<1,143,923.>	<152,068.>	<991,855.>

SCHEDULE M-2

OTHER ADDITIONS (AAA)

STATEMENT 26

COMBINED AMOUNTS	SOUTHERN UTILITY CORPORATION	LYNNWOOD UTILITY CORPORATION
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62-1781405	62-1602949
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PORTFOLIO INTEREST INCOME

8.

8.

TOTAL

8.

8.

Shareholder Basis Worksheet

Shareholder Number: 1	Year Ended: DECEMBER 31, 2006
Shareholder Name: JOHN D. RING	S Corporation Name: SOUTHERN UTILITY CORPORATION AND SUBSIDIARY
Shareholder ID Number: 414-66-1899	S Corporation ID Number: 62-1781405
Ownership Percentage: 50.000000 %	

Stock Basis

1. a. Stock basis, beginning of year (Not less than zero)	0.	
b. Additional capital contributions		
2. Increases:		
a. Ordinary income from trade or business		
b. Net income from rental real estate activities		
c. Net income from other rental activities		
d. Net short-term capital gains		
e. Net long-term capital gains		
f. Other portfolio income	4.	
g. Net gain under Section 1231		
h. Other income		
i. Tax exempt interest income		
j. Other tax-exempt income		
k. Section 179 recapture		
l. Depletion (other than oil and gas) in excess of basis		
m. Other increases:		
3. Total increases (Add lines 2(a) through 2(m))	4.	
4. Total increases to stock basis (Add lines 1 and 3)		4.
5. Less: Distributions		
6. Subtract line 5 from line 4 (Not less than zero)		4.
7. Decreases:		
a. Ordinary losses from trade or business	98,886.	
b. Net losses from rental real estate activities		
c. Net losses from other rental activities		
d. Net short-term capital losses		
e. Net long-term capital losses		
f. Other portfolio losses		
g. Net losses under Section 1231		
h. Other deductions		
i. Charitable contributions		
j. Section 179 expense deduction		
k. Deductions related to portfolio income (losses)		
l. Interest expense on investment debts		
m. Foreign taxes paid or accrued		
n. Section 59(e) expenditures		
o. Nondeductible expenses		
p. Oil and gas depletion		
q. Other decreases:		
		98,886.
r. Disallowed prior year's losses and deductions		
8. Total decreases (Add lines 7(a) through 7(r))		98,886.
9. Net increases or decreases to basis (Subtract line 8 from line 6)		<98,882.>
10. Less: Net increases applied to debt basis		
11. Stock basis, end of year (Subtract line 10 from line 9) (Not less than zero)		0.

Shareholder Basis Worksheet, Continued

Shareholder Number: 1 Shareholder Name: JOHN D. RING	Year Ended: DECEMBER 31, 2006 Shareholder ID Number: 414-66-1899
-----------------------------------------------------------------------	-----------------------------------------------------------------------------------

Debt Basis

12. Debt basis, beginning of year (Not less than zero)	40,703.
13. Loans made during the year	
14. Restoration of debt basis (from line 10)	
15. Subtotal (Add lines 13 and 14)	
16. Less: Loan repayments	
17. Gain from loan repayments	
18. Other adjustments:	
.....	
.....	
19. Subtotal (Combine lines 12, 15, 16, 17 and 18)	40,703.
20. Applied against excess loss and deductions	40,703.
21. Debt basis, end of year (Not less than zero)	0.
22. Total shareholder stock and debt basis, end of year (Add lines 11 and 21) (Not less than zero)	0.

Gain on Distributions

23. Distributions	
24. Less: Basis before distributions	
25. Enter excess of line 23 over line 24 (capital gain)	

Carryover

	Total Disallowed Losses	Debt Basis Applied Against Excess Losses and Deductions
26. Beginning of year		154,297.
27. Add: Losses and deductions this year	98,886.	40,703.
28. Less: Applied this year	40,707.	
29. End of year (Not less than zero)	58,179.	195,000.

PRINCIPAL AMOUNT OF DEBT OWED TO SHAREHOLDER, ADJUSTED FOR
LOANS MADE OR PAID DURING THE YEAR

195,000.

Allocation of Losses and Deductions

Shareholder Number: 1	Year Ended:
Shareholder Name: JOHN D. RING	DECEMBER 31, 2006
	Shareholder ID Number: 414-66-1899

	(a) Beginning of Year and Current Year Losses and Deductions	(b) %	(c) Allowable Losses and Deductions in Current Year	(d) Disallowed Losses and Deductions (Carryover to Next Year)
Ordinary losses from trade or business	98,886.	100.000000	40,707.	58,179.
Net losses from rental real estate activities				
Net losses from other rental activities				
Net short-term capital losses				
Net long-term capital losses				
Other portfolio losses				
Net losses under Section 1231				
Other deductions				
Charitable contributions				
Section 179 expense deduction				
Deductions related to portfolio income (losses)				
Interest expense on investment debts				
Foreign taxes paid or accrued				
Section 59(e) expenditures				
Other decreases				
 Total deductible losses and deductions	 98,886.	 100.000000	 40,707.	 58,179.
Nondeductible expenses				
Oil and gas depletion				
 Total nondeductible expenses and oil and gas depletion				
 Totals	 98,886.		 40,707.	 58,179.

Analysis of Shareholder's Loan Accounts

Shareholder Number:

1

Shareholder Name:

JOHN D. RING

Year Ended:

DECEMBER 31, 2006

Shareholder ID Number:

414-66-1899

A Loan Number	B Original Loan Balance	C Amount to Restore Debt Basis, Beginning of Year	D Debt Basis Beginning of Year	E Loans Made During Year	F Restored Debt Basis of Prior Year Amounts Not to Exceed Column C
1	1	195,000.	154,297.	40,703.	
2					
3					
4					
5					
6					
7					
8					
9					
10					
Totals	195,000.	154,297.	40,703.		

G Basis after Restoration Add: Columns D through F	H Amount of Debt Basis Applied Against Excess Losses and Deductions	I Subtotal Column G Minus Column H	J Less: Loan Repayments	K Gain from Loan Repayment
1	40,703.	40,703.		
2				
3				
4				
5				
6				
7				
8				
9				
10				
40,703.	40,703.			

End of Year Balances		
L Loan Balance Combine Columns B, E and J	M Amount to Restore Debt Basis (Column L Minus Column N)	N Debt Basis Combine Columns I through K
1	195,000.	195,000.
2		
3		
4		
5		
6		
7		
8		
9		
10		
195,000.	195,000.	

Schedule K-1
(Form 1120S)

2006

Department of the Treasury
Internal Revenue ServiceFor calendar year 2006, or tax
year beginning _____
ending _____☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Shareholder's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.**Part I Information About the Corporation****A** Corporation's employer identification number
62-1781405**B** Corporation's name, address, city, state, and ZIP code
SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY
5250 VIRGINIA WAY, SUITE 100
BRENTWOOD, TN 37027**C** IRS Center where corporation filed return
OGDEN, UT**D** ☐ Tax shelter registration number, if any _____**E** ☐ Check if Form 8271 is attached**Part II Information About the Shareholder****F** Shareholder's identifying number
412-17-3455**G** Shareholder's name, address, city, state and ZIP codeTYLER L. RING
245 SPENCER CREEK ROAD
FRANKLIN, TN 37069**H** Shareholder's percentage of stock
ownership for tax year _____ 50.000000%

For IRS Use Only

**Part III Shareholder's Share of Current Year Income,
Deductions, Credits, and Other Items**

1 Ordinary business income (loss)	13 Credits
<98,886.>	
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	
4 Interest income	
4.	
5a Ordinary dividends	
5b Qualified dividends	14 Foreign transactions
6 Royalties	
7 Net short-term capital gain (loss)	
8a Net long-term capital gain (loss)	
8b Collectibles (28%) gain (loss)	
8c Unrecaptured sec 1250 gain	
9 Net section 1231 gain (loss)	
10 Other income (loss)	15 Alternative min tax (AMT) items
	A 1,729.
11 Section 179 deduction	16 Items affecting shareholder basis
12 Other deductions	
	17 Other information
	A 4.

*See attached statement for additional information.

611271
12-28-06

JWA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2006

Shareholder Basis Worksheet

Shareholder Number: 2 Shareholder Name: TYLER L. RING Shareholder ID Number: 412-17-3455 Ownership Percentage: 50.000000 %	Year Ended: DECEMBER 31, 2006 S Corporation Name: SOUTHERN UTILITY CORPORATION AND SUBSIDIARY S Corporation ID Number: 62-1781405
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Stock Basis

1. a. Stock basis, beginning of year (Not less than zero)	0.	
b. Additional capital contributions		
2. Increases:		
a. Ordinary income from trade or business		
b. Net income from rental real estate activities		
c. Net income from other rental activities		
d. Net short-term capital gains		
e. Net long-term capital gains		
f. Other portfolio income	4.	
g. Net gain under Section 1231		
h. Other income		
i. Tax exempt interest income		
j. Other tax-exempt income		
k. Section 179 recapture		
l. Depletion (other than oil and gas) in excess of basis		
m. Other increases:		
3. Total increases (Add lines 2(a) through 2(m))	4.	
4. Total increases to stock basis (Add lines 1 and 3)		4.
5. Less: Distributions		
6. Subtract line 5 from line 4 (Not less than zero)		4.
7. Decreases:		
a. Ordinary losses from trade or business	98,886.	
b. Net losses from rental real estate activities		
c. Net losses from other rental activities		
d. Net short-term capital losses		
e. Net long-term capital losses		
f. Other portfolio losses		
g. Net losses under Section 1231		
h. Other deductions		
i. Charitable contributions		
j. Section 179 expense deduction		
k. Deductions related to portfolio income (losses)		
l. Interest expense on investment debts		
m. Foreign taxes paid or accrued		
n. Section 59(e) expenditures		
o. Nondeductible expenses		
p. Oil and gas depletion		
q. Other decreases:		
		98,886.
r. Disallowed prior year's losses and deductions		
8. Total decreases (Add lines 7(a) through 7(r))		98,886.
9. Net increases or decreases to basis (Subtract line 8 from line 6)		<98,882.>
10. Less: Net increases applied to debt basis		
11. Stock basis, end of year (Subtract line 10 from line 9) (Not less than zero)		0.

Shareholder Basis Worksheet, Continued

Shareholder Number: 2 Shareholder Name: TYLER L. RING	Year Ended: DECEMBER 31, 2006 Shareholder ID Number: 412-17-3455
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Debt Basis

12. Debt basis, beginning of year (Not less than zero)		40,705.
13. Loans made during the year		
14. Restoration of debt basis (from line 10)		
15. Subtotal (Add lines 13 and 14)		
16. Less: Loan repayments		
17. Gain from loan repayments		
18. Other adjustments:		
19. Subtotal (Combine lines 12, 15, 16, 17 and 18)		40,705.
20. Applied against excess loss and deductions		40,705.
21. Debt basis, end of year (Not less than zero)		0.
22. Total shareholder stock and debt basis, end of year (Add lines 11 and 21) (Not less than zero)		0.

Gain on Distributions

23. Distributions	
24. Less: Basis before distributions	
25. Enter excess of line 23 over line 24 (capital gain)	

Carryover

	Total Disallowed Losses	Debt Basis Applied Against Excess Losses and Deductions
26. Beginning of year		154,295.
27. Add: Losses and deductions this year	98,886.	40,705.
28. Less: Applied this year	40,709.	
29. End of year (Not less than zero)	58,177.	195,000.

PRINCIPAL AMOUNT OF DEBT OWED TO SHAREHOLDER, ADJUSTED FOR
LOANS MADE OR PAID DURING THE YEAR

195,000.

Allocation of Losses and Deductions

Shareholder Number: 2

Shareholder Name: TYLER L. RING

Year Ended:

DECEMBER 31, 2006

Shareholder ID Number: 412-17-3455

	(a) Beginning of Year and Current Year Losses and Deductions	(b) %	(c) Allowable Losses and Deductions in Current Year	(d) Disallowed Losses and Deductions (Carryover to Next Year)
Ordinary losses from trade or business	98,886.	100.000000	40,709.	58,177.
Net losses from rental real estate activities				
Net losses from other rental activities				
Net short-term capital losses				
Net long-term capital losses				
Other portfolio losses				
Net losses under Section 1231				
Other deductions				
Charitable contributions				
Section 179 expense deduction				
Deductions related to portfolio income (losses)				
Interest expense on investment debts				
Foreign taxes paid or accrued				
Section 59(e) expenditures				
Other decreases				
Total deductible losses and deductions	98,886.	100.000000	40,709.	58,177.
Nondeductible expenses				
Oil and gas depletion				
Total nondeductible expenses and oil and gas depletion				
Totals	98,886.		40,709.	58,177.

Analysis of Shareholder's Loan Accounts

Shareholder Number: 2 Shareholder Name: TYLER L. RING	Year Ended: DECEMBER 31, 2006 Shareholder ID Number: 412-17-3455
------------------------------------------------------------------------	-----------------------------------------------------------------------------------

A Loan Number	B Original Loan Balance	C Amount to Restore Debt Basis, Beginning of Year	D Debt Basis Beginning of Year	E Loans Made During Year	F Restored Debt Basis of Prior Year Amounts Not to Exceed Column C
1	2	195,000.	154,295.	40,705.	
2					
3					
4					
5					
6					
7					
8					
9					
10					
Totals	195,000.	154,295.	40,705.		

G Basis after Restoration Add: Columns D through F	H Amount of Debt Basis Applied Against Excess Losses and Deductions	I Subtotal Column G Minus Column H	J Less: Loan Repayments	K Gain from Loan Repayment
1	40,705.	40,705.		
2				
3				
4				
5				
6				
7				
8				
9				
10				
	40,705.	40,705.		

End of Year Balances		
L Loan Balance Combine Columns B, E and J	M Amount to Restore Debt Basis (Column L Minus Column N)	N Debt Basis Combine Columns I through K
1	195,000.	195,000.
2		
3		
4		
5		
6		
7		
8		
9		
10		
	195,000.	195,000.

Form **7004**(Rev. December 2006)
Department of the Treasury
Internal Revenue Service**Application for Automatic 6-Month Extension of Time To File
Certain Business Income Tax, Information, and Other Returns**

OMB No 1545-0233

► **File a separate application for each return****Type or
Print**

Name

**SOUTHERN UTILITY CORPORATION AND
SUBSIDIARY**

Identifying number

62-1781405File by the due
date for the
return for which
an extension is
requested. See
instructions

Number, street, and room or suite no. (If P.O. box, see instructions.)

5250 VIRGINIA WAY, SUITE 100

City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code))

BRENTWOOD, TN 37027**Note** See instructions before completing this form**1** Enter the form code for the return that this application is for (see below)**25****2** If the foreign corporation does not have an office or place of business in the United States, check here► ☐**3** If the organization is a corporation or partnership that qualifies under Regulations section 1.6081-5, check here► ☐**4 a** The application is for calendar year **2006**, or tax year beginning _____, and ending _____**b Short tax year** If this tax year is less than 12 months, check the reason☐ Initial return☐ Final return☐ Change in accounting period☐ Consolidated return to be filed**5** If the organization is a corporation and is the common parent of a group that intends to file a consolidated return, check here► ☐

If checked, attach a schedule, listing the name, address, and Employer Identification Number (EIN) for each member covered by this application

6 Tentative total tax**6** 0.**7** Total payments and credits (see instructions)**7** 0.**8** Balance due Subtract line 7 from line 6. Generally, you must deposit this amount using the Electronic Federal Tax Payment System (EFTPS), a Federal Tax Deposit (FTD) Coupon, or Electronic Funds Withdrawal (EFW) (see instructions for exceptions)**8** 0.

Application Is For	Form Code	Application Is For	Form Code
Form 706-GS(D)	01	Form 1120-H	17
Form 706-GS(T)	02	Form 1120-L	18
Form 990-C (2005 fiscal year filers only)	03	Form 1120-ND	19
Form 1041 (estate)	04	Form 1120-ND (section 4951 taxes)	20
Form 1041 (trust)	05	Form 1120-PC	21
Form 1041-N	06	Form 1120-POL	22
Form 1041-QFT	07	Form 1120-REIT	23
Form 1042	08	Form 1120-RIC	24
Form 1065	09	Form 1120-S	25
Form 1065-B	10	Form 1120-SF	26
Form 1066	11	Form 3520-A	27
Form 1120	12	Form 8612	28
Form 1120 (sub T) (2005 fiscal year filers only)	13	Form 8613	29
Form 1120-A	14	Form 8725	30
Form 1120-C	34	Form 8804	31
Form 1120-F	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33

LHA For Paperwork Reduction Act Notice, see instructions

Form 7004 (Rev. 12-2006)

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12-14-06

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