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RGC RESOURCES INC
Form 8-K
July 13, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): July 10, 2006

RGC RESOURCES, INC.
(Exact name of Registrant as specified in its charter)

Virginia	000-26591	54-1909697
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

519 Kimball Ave., N.E.	Roanoke, Virginia	24016
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(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: 540-777-4427

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 240.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13c-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On July 10, 2006, Diversified Energy Company d/b/a Highland Energy, a wholly owned subsidiary of RGC Resources, Inc. ("Resources" or "Company"), entered into an asset purchase and sale agreement for the sale of the assets relating to its energy marketing business to Atmos Energy Marketing, LLC ("Atmos"). The assets to be sold include the gas supply contracts between Highland Energy and its customers and related business records. The date of transfer is set as the date from the first meter read performed for each of the end user customers on or after August 1, 2006.

Highland Energy and Resources agreed with Atmos for a period of three years ending July 1, 2009 to not sell any natural gas for consumption by an existing customer at any facility serviced under the assigned contracts with the exception of tariff gas sales by a public utility subsidiary or affiliate.

The purchase price for the assets sold by Highland Energy is valued at up to \$414,270. Atmos will pay Highland Energy the sum of \$233,216 at closing. The remaining \$181,054 will be paid by Atmos to Highland Energy on the first anniversary of the closing provided that all such customers with assigned contracts remain as customers of Atmos Energy as of the anniversary date. However, the remaining balance payable will be adjusted downward by a prescribed amount to the extent (i) a customer pursuant an assigned contract is no longer a customer on the anniversary date and such customer was not a customer for two of the preceding twelve months or (ii) any customer reduces their average natural gas consumption by more than 20 percent from current annualized levels.

As a result of the sale of the assets of Highland Energy, the Company recognized a loss of approximately \$147,000 related to the unassigned basis (the transportation component of the gas purchase agreements) not acquired by Atmos. The loss reflects the difference in the original cost of such basis in excess of the current net realizable value that Highland Energy expects to receive for resale of the basis in current gas market conditions.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RGC RESOURCES, INC.

Date: July 13, 2006

By: s/Howard T. Lyon

Howard T. Lyon
Vice-President, Treasurer and Controller

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(Principal Financial Officer)