

Rubin & Hays

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

November 4, 2010

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED
NOV 5 2010
PUBLIC SERVICE
COMMISSION

Re: South Eastern Water Association, Inc. PSC Application

Dear Mr. Derouen:


Enclosed please find the original and ten (10) copies of the Application of the South Eastern Water Association, Inc. for an Order authorizing the Association to issue securities pursuant to KRS 278.300.

This Application requests approval of the issuance of securities for the purpose of refunding certain high interest debt of the Applicant. **Due to the extreme volatility of the financial markets and the fact that this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before December 2, 2010 (the closing date).**

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: D. Bruce Orwin, Esq.
Ms. Kristen Millard, Morgan Keegan

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NOV 5 2010

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE SOUTH)
 EASTERN WATER ASSOCIATION, INC., TO)
 ISSUE SECURITIES IN THE APPROX-)
 MATE PRINCIPAL AMOUNT OF \$3,410,000)
 FOR THE PURPOSE OF REFUNDING CERTAIN)
 OUTSTANDING INDEBTEDNESS OF THE) Case No. 2010 - _____
 ASSOCIATION PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

** *** **** ***** **** ** **

APPLICATION

The Applicant, South Eastern Water Association, Inc. (the "Association"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the Association to issue certain securities in the approximate principal sum \$3,410,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding indebtedness of the Association. In support of this Application, and in compliance with the rules and regulations of the Commission, the Association states as follows:

1. The Association is a non-profit water association of Pulaski County, created and existing under the provisions of Chapter 273 of the Kentucky Revised Statutes. The Association's Articles of Incorporation are attached hereto as **Exhibit A**. The Association is now, and has been

since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the Association are incorporated in this Application by reference.

2. The governing body of the Association is its Board of Directors, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS Chapter 273 and all applicable law and regulations.

3. The mailing address of the Association is as follows:

South Eastern Water Association, Inc.
c/o Mr. Joe Richards I, President
P.O. Box 458
Somerset, Kentucky 42502
Telephone: (606) 678-5501

4. A general description of the Association's water system property, together with a statement of the original cost, is contained in the Association's Annual Report for 2009 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the County of Butler, Kentucky pursuant to a loan in the estimated principal amount of \$3,410,000 (subject to adjustment of up to 10%) ("the Butler Loan") as evidenced by a loan agreement (the "Loan Agreement"), for the purpose of refunding the outstanding indebtedness of the Association designated as (i) South Eastern Water Association Promissory Note, dated October 17, 1991, in the original principal amount of \$376,000, bearing interest at the rate of 5.00% per annum (the "1991 Note"), currently held the United States Department of Agriculture, acting through Rural Development ("RD"); (ii) South Eastern Water Association Promissory Note, dated February 12, 1997, in the original principal amount of \$1,036,442, bearing interest at the rate of 5.00% per annum (the "1997 Note"), currently held by RD; and (iii) South Eastern Water Association Promissory Note, dated July 10, 2001, in the original principal amount of \$1,479,000, bearing interest at the rate of 4.875% per annum (the "2001 Note"),

currently held by RD (the 1991 Note, the 1997 Note and the 2001 Note being hereinafter collectively referred to as the "Prior Loans").

6. The estimated debt service for the Butler Loan is shown in **Exhibit B**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rate are subject to change because of market conditions. The final terms and details of the Butler Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The Butler Loan will provide the Association with the funds necessary to (i) refund the Prior Loans; and (iii) pay the costs, fees and expenses incident to the issuance of the Butler Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the Butler Loan are detailed as **Exhibit C**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will generate a net combined present value benefit of approximately \$312,903.40. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit D**.

10. The final principal amount of the Butler Loan may be adjusted, based upon the final interest rate as of closing of the proposed Butler Loan. Final financial figures will be submitted to the Commission in a timely manner. The Association will not issue the securities if interest rates in the financial markets shift to a point where the Association will not achieve any savings.

11. The Total Refunded Debt Schedule of the outstanding Prior Loans being refunded is set forth in **Exhibit E**.

12. The Association represents that the Butler Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the Association by producing substantial debt service savings. This is a lawful object within the corporate purposes of

the Association's utility operations. The Butler Loan is necessary, appropriate for, and consistent with the proper performance by the Association of its service to the public and will not impair its ability to perform that service.

13. The Association represents that it will, as soon as reasonably possible after the closing of the Butler Loan, file with the Commission a statement setting forth the date of issuance of the Butler Loan, the price paid, the costs and expenses incurred in the issuance of the Butler Loan, and the final terms and interest rates of the Butler Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2009 are attached hereto and incorporated herein by reference as **Exhibit F** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2009 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the Association hereby responds as follows:

- (a) Section 6(4) Mortgages: The Association's mortgages are attached hereto as **Exhibit G**.
- (b) Section 6(5) Bonds: The Butler Loan will be secured by a pledge of the revenues of the Association's System.
- (c) Section 11(2)(b): The Association does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Loans.

17. The Association hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The Association states that there has been no change that is material in nature in the financial condition or operation of the Association since December 31, 2009. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2009. This is the most recent published financial data available. Because of the volatility of the financial markets, the Association cannot run the risk of delaying the closing of the Butler Loan while more current financial data is compiled.


18. No rate adjustment will be necessary.

WHEREFORE, the Association respectfully requests that the Commission take the following actions:

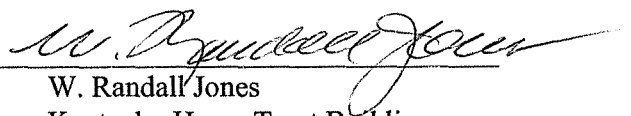
1. Authorize the issuance of the securities requested in the Application prior to the estimated closing date of **December 2, 2010**;
2. Grant the Association a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the Association's 2009 Annual Report and 2009 audit in lieu of more recent financial data, there being no material change in the data in 2010 and due to the volatility of the present financial markets; and
3. Process this Application without a formal hearing in order to save time and expense.

The Association will promptly respond to any information requests by the Commission's staff.

South Eastern Water Association, Inc.

By 
President
P.O. Box 458
Somerset, Kentucky 42502
Phone: (606) 678-5501

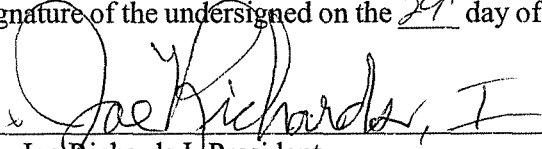
Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for South Eastern
Association, Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF PULASKI)

The affiant, Joe Richards I, being first duly sworn, states: That he is the President of the South Eastern Water Association, Inc., the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

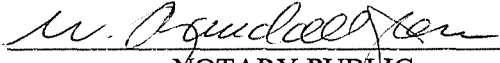
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 29th day of October, 2010.



Joe Richards I, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Joe Richards I, President of the South Eastern Water Association, Inc., on this the 29th day of October, 2010.

My Commission expires: 3 | 3 | 2012.



NOTARY PUBLIC

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**ARTICLES OF MERGER OF
SOUTH EASTERN WATER ASSOCIATION, INC. #0324021-
AND
BARNESBURG WATER ASSOCIATION, INC.**

#0003103-

** ** * * *

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Barnesburg Water Association, Inc.

This is a Plan of Merger of South Eastern Water Association, Inc., a Kentucky non-profit corporation, and Barnesburg Water Association, Inc., a Kentucky non-profit corporation, prepared pursuant to the provisions of KRS 273.287. Barnesburg Water Association, Inc., is sometimes herein referred to as the "acquired corporation." South Eastern Water Association is sometimes hereinafter referred to as the "surviving corporation."

Neither the surviving corporation nor acquired corporation has members entitled to vote of the merger. The plan of merger as contained in these articles of merger were approved at a meeting of the board of directors of Barnesburg Water Association, Inc., held October 14, 1996 and the merger was approved by the Board of Directors of South Eastern Water Association, Inc., at a board of directors meeting held on October 14, 1996. The plan received the unanimous vote of the directors of both corporations in attendance at the meeting and a quorum of each board was present at the respective meetings.

A. THE PLAN OF MERGER:

1. Names: The names of the corporations proposing to be merged are South Eastern Water Association, Inc. and Barnesburg Water Association, Inc. Barnesburg Water Association, Inc., the acquired corporation, proposes to merge into South Eastern Water Association, Inc., the surviving corporation.

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B. TERMS AND CONDITIONS:

The terms and conditions of the proposed merger and the mode of carrying it into effect are as follows:

1. The acquired corporation shall merge into the surviving corporation in a manner and with the effect provided by the statutes of Kentucky.
2. The merger shall be effective as of the date of filing of the Articles of Merger with the Kentucky Secretary of State.
3. On the effective date, the acquired corporation shall merge into the surviving corporation, the separate corporate existence of the acquired corporation shall cease, and South Eastern Water Association, Inc., shall continue as the surviving corporation. The address of the surviving corporation of the South Eastern Water Association, Inc., 147 East Somerset Church Road, Somerset, Kentucky 42503.
4. The surviving corporation shall assume all powers, rights, privileges and immunities granted or permitted by law, previously held and adopted by the acquired corporation and subject to the duties and liabilities of the corporation organized under the provisions of KRS Chapter 273.
5. The assets and liabilities of the acquired corporation shall be merge to the extent allowed by law, with the exception that outstanding obligations of the acquired corporation and the surviving corporation shall continue to be retired from such money and funds as shall be collected from the facilities operated by each such corporation in the original area served in accordance with the terms and provisions of KRS 74.361(5) as made applicable by KRS 74.361(9) and the authorizing resolution or indenture under which the outstanding obligations

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were issued, until all of the obligations had been retired by payment, debt consolidation or reissuance.

6. The existing Board of Directors of South Eastern Water Association, Inc., along with two (2) directors of Barnesburg Water Association, Inc., being the president and vice president, shall serve on the board of the surviving corporation until such time as the annual election of directors to be held no more than two hundred (200) days from the filing of these articles. Thereafter, the number and term of the directors shall be governed by the provisions of Article VIII of the bylaws upon proper notice as indicated in the bylaws. The bylaws of South Eastern Water Association, Inc. shall be amended accordingly and said amended bylaws shall be the bylaws of the surviving corporation.

C. BOARD OF DIRECTORS:

Until the first annual election of the board of directors as specified herein, the following persons shall serve as directors:

Joe Richards, Sr.,	3735 Rush Branch Road, Somerset, Kentucky 42501
Sam Davis,	P. O. Box 320, Tateville, Kentucky 42553
Ernest Stout,	230 Stout Hill, Burnside, Kentucky 42519
Joe Richards, II,	401 Polesridge Road, Somerset, Kentucky 42503
Virgil C. Wallace,	2780 Rush Branch Road, Somerset, Kentucky 42503
Joe Crawford,	751 Stylesville Road, Science Hill, Kentucky 42553
Bobbie Crowe,	209 E. Coleman Road, Somerset, Kentucky 42503
Harvey Phelps,	1271 Old Mt. Vernon Road, Somerset, Kentucky 42503
Wade Bumgardner,	861 Old Mt. Vernon Road, Somerset, Kentucky 42503

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Done under our hands on this the 14 day of October, 1996.

BARNESBURG WATER ASSOCIATION, INC.

BY: Harvey Phelps
Harvey Phelps, President

SOUTH EASTERN WATER ASSOCIATION, INC.

BY: Joe Richards, Pres.
Joe Richards, President

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ARTICLES OF CONSOLIDATION

ELIJAH TATEVILLE WATER ASSOCIATION P.O. BOX 222

RECEIVED & FILED
285181 # 8.00
2 07 PM '93

NAME

ADDRESS

SOMERSET, KENTUCKY 42502

CITY/STATE/ZIP

AND

NELSON VALLEY WATER ASSOCIATION P.O. BOX 910 # 37641

NAME

ADDRESS

SOMERSET, KENTUCKY 42502

CITY/STATE/ZIP

735863

KNOWN ALL MEN BY THESE PRESENTS:

That we, whose names are to subscribed, acting as incorporators for the purpose of forming a non profit corporation under the provisions of Chapter 273 of the Kentucky Revised Statutes, assuming and claiming all powers, rights, privileges and immunities granted or permitted bodies corporation under said laws, and do hereby adopt the following Articles of Consolidation and set forth the following plan of consolidation.

ARTICLE I

PLAN OF CONSOLIDATION

Pursuant to KRS 74.361, 273.281 and an Order of the Public Service Commission of Kentucky dated February 22, 1988 in Case NO. 9967, the boards of the directors of the corporations enumerated below do hereby set forth their plan of consolidation as required by KRS 273.281 and affirmatively state as follows:

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1. The identities of the corporations to be consolidated are: Elihu Tateville Water Association, P.O. Box 722, Somerset, Kentucky 42502, and Nelson Valley Water Association, P.O. Box 910, Somerset, Kentucky 42502.

2. The name and address of the new corporation is to be Southeastern Water Association, ^{INC} P.O. Box 722, Somerset, Kentucky 42502.

3. Pursuant to an Order of the Public Service Commission and after an affirmative vote by the membership of each consolidating corporation, the consolidating corporations shall cease to exist and the new corporation will assume and claim all powers, rights, privileges and immunities granted or permitted by law, and previously held and adopted by the consolidating corporations and subject to all the duties and liabilities of a corporation organized under the provisions of KRS Chapter 273.

4. The assets and liabilities of the consolidating corporations shall be merged to the extent allowed by law with the exception that outstanding obligations of the consolidating corporations which are secured by a pledge of the income and revenues of the systems operated by each of them shall continue to be retired from such money and funds as shall be collected from the users of facilities operated by such consolidated corporations in the original area served in accordance with the terms and provisions of KRS 74.361(5) and the authorizing resolutions or indentures under which the outstanding obligations were issued, until all such obligations have been retired by payment, debt consolidation or re-issuance.

5. The existing board of directors of each consolidating

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corporations shall serve on the board of the new corporation until such time as the first annual election of directors to be held no later than 120 days from the filing of these articles. Thereafter, the number and terms of directors shall be governed by the provisions of Articles IX herein.

6. On April 12, 1993, at a annual meeting of the members of Elihu Tateville Water Association, duly held in accordance with KRS Chapter 273 and the Articles of Incorporation and Bylaws of Elihu Tateville Water Association, a quorum having been present and the plan of consolidation receiving two thirds votes of those present or by proxy voting, the above Plan of Consolidation was duly adopted.

7. On March 1, 1993, at a annual meeting of the members of Nelson Valley Water Association, duly held in accordance with KRS Chapter 273 and the Articles of Incorporation and Bylaws of Nelson Valley Water Association, a quorum having been present and the plan of consolidation receiving two thirds votes of those present or by proxy voting, the above Plan of Consolidation was duly adopted.

ARTICLE II

NAME

The name of this corporation shall be SOUTH EASTERN WATER ASSOCIATION INC.

ARTICLE III

REGISTERED OFFICE AND AGENT

The registered office of the corporation shall be at Somerset, County of Pulaski, State of Kentucky; the registered agent at such address is Kenneth D. Morrow Manager

NAME	TITLE
<u>1851 West Hwy. 00 Somerset, Kentucky 42501.</u>	
ADDRESS	CITY/STATE/ZIP

-3-

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ARTICLE IV

PURPOSE

The purpose of said corporation shall be to establish, develop and operate a complete water supply and distribution system by purchase, development, or otherwise to construct reservoirs or water towers, erect pumping machinery lay water mains, pipes and hydrants; to furnish and sell water to members of the corporation, public bodies and local businesses, for fire protection, drinking and general farm and domestic use and collect payment for rental or sale of same and doing all things necessary, convenient and incidental thereto.

ARTICLE V

SEAL

This corporation shall have a seal, which shall contain the corporate name, Kentucky, and the words "corporate seal."

ARTICLE VI

POWERS

The corporation shall have all powers provided by law.

ARTICLE VII

MEMBERSHIP

Persons may become members of the corporation as provided in the By-Laws.

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ARTICLES VIII

DURATION

The corporation shall be of perpetual duration.

ARTICLE IX

BOARD OF DIRECTORS

1. The affairs of this corporation shall be managed by a board of seven directors to be elected by and from the members thereof and shall serve for three years and until their successors are elected. The size of the Board may not be changed except by amendment to these articles. At the first annual election, two directors shall be elected for a term of one year; two directors shall be elected for a term of two years; three directors shall be elected for a term of three years. Thereafter, directors shall be elected for a term of three years.

2. If the office of any director become vacant by reason of death, resignation, retirement, disqualification or otherwise, except removal from office, a majority of the remaining directors thought not less than a quorum shall, by a majority vote, choose a successor who shall hold office until the next annual meeting of the members of the corporation, at which time the members shall elect a director for the unexpired term, or terms.

3. A majority of the Directors must be present at a meeting to conduct the business of the corporation.

4. Until the first annual election and as specified in Article I, paragraph 5, the following persons shall be Directors:

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<u>NAME</u>	<u>ADDRESS</u>
Keith Dinsmore	180 Strawberry Rd. Somerset, Ky. 42501
Sam Davis	Box 84 S. Hwy. 27, Tateville, Ky. 42558
Joe Richards II	401 Pole Ridge Rd. Somerset, Ky. 42501
Earnest Stout	1466 Stout Hill Tateville, Ky. 42558
V.C. Wallace	Route 7 Box 96 Somerset, Ky. 42501
Valando Taylor	3572 Hwy. 39 Somerset, Ky. 42501
Leamon Colyer	4765 Hwy. 39 Somerset, Ky. 42501
Joe Crawford	777 Stilesville Rd. Science Hill, Ky. 42553
Bobby Crow	3821 East Coleman Rd. Somerset, Ky. 42501

5. The Board of Directors shall have their annual meeting after the annual meeting of members hereinafter provided for, at a time and place to be designated by the President, and will elected from their own number a President, Vice-President, Secretary and Treasurer.

6. The Board of Directors shall have other meetings as provided in the By-Laws.

ARTICLES X

MEETINGS

1. The annual meeting of the members of this corporation for the purpose of electing directors and transacting such other business as may properly come before it at such time, shall be held on the 2nd Monday in April, of each year at the time and place specified by the Board of Directors, notice of meeting may be by letter sent to each member or published in paper as per notice for special meeting.

2. Special meetings of the members of this corporation may be called by the President at any time or place within the county upon publishing in the newspaper of general circulation for three

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consecutive weeks. With the first issue to run not more than 35 days prior to the meeting and the last issue to run not less than 10 days prior to the meeting, and such meeting shall be called by him at any time upon written demand of majority of the directors or of any ten (10) members and in case of his neglect or refusal to call such meeting, which shall be the same as though called by the President. If the purpose of the meeting is to amend the articles then the notice of meetings signed by the Secretary shall set forth the proposed amendment in substance. Articles may be amended by a two thirds vote of the members present at such meeting or voting by proxy.

ARTICLE XI
INCORPORATORS

The names and addresses of the incorporators are:

<u>NAME</u>	<u>ADDRESS</u>
Keith Dinsmore	180 Strawberry Rd. Somerset, Ky. 42501
Sam Davis	Box 84 S. Hwy. 27 Tateville, Ky. 42558
Joe Richards II	401 Pole Ridge Rd. Somerset, Ky. 42501
Earnest Stout	1406 Stout Hill, Tateville, Ky. 42558
V.C. Wallace	Route 7 Box 96 Somerset, Ky. 42501
Joe Crawford	777 Stilesville Rd. Science Hill, Ky. 42555
Bobby Crow	3821 East Coleman Rd, Somerset, Ky. 42501

ARTICLES XII

BY-LAWS

The corporation may make and amend By-Laws at its pleasure through its Board of Directors.

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IN WITNESS WHEREOF, we have hereto subscribed our names this the
17th day of December, 1993.

Keith Dinsmore
KEITH DINSMORE PRESIDENT

Joe Richards II
JOE RICHARDS II SECRETARY

STATE OF KENTUCKY
COUNTY OF Pulaski

On this the 17th day of December, 1993,
before me the undersigned Notary Public, in and for the said County,
personally appeared Keith Dinsmore and Joe Richards II,
to me know to be the persons named in and who executed the foregoing
instrument and acknowledge that they executed the same as their
voluntary act and deed

Wanda J. Davis
NOTARY PUBLIC

My commission expires: 4-13-96

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IN WITNESS WHEREOF, we have hereunto subscribed our names this the
5 day of December, 2003

Valando Taylor
VALANDO TAYLOR PRESIDENT

Joe Crawford
JOE CRAWFORD SECRETARY

STATE OF KENTUCKY,

COUNTY OF Franklin

On this the 5th day of December, 2003

before me the undersigned Notary Public, in and for said County,
personally appeared Valando Taylor and Joe Crawford,
to me know to be the persons named in and who executed the foregoing
instrument and acknowledged that they executed the same as their
voluntary act and deed.

William J. Davis
NOTARY PUBLIC
My Commission expires: 1-3-06

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SOUTHEASTERN WATER ASSOCIATION
P.O. BOX 722
SOMESET, KENTUCKY 42502-0722
(606) 678-5501

December 15, 1993

Secretary of State
P.O. Box 1150
Frankfort, Kentucky 40602-1150

The Elihu Tateville Water Association and the
Nelson Valley Water Association has merged by order of
Public Service Commission into a new association
Southeastern Water Association.

Please find enclosed 4 originals of our Articles of
Consolidation and a check in the amount of fifteen (\$15)
dollars for filing fee.


Kenneth Morrow, Manager

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\$3,410,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Southeastern Water Association*

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
08/01/2011	Serial Coupon	2.250%	1.150%	5,000.00	100.818%	5,040.90
08/01/2012	Serial Coupon	2.250%	1.300%	110,000.00	101.637%	111,800.70
08/01/2013	Serial Coupon	2.250%	1.470%	110,000.00	102.093%	112,302.30
08/01/2014	Serial Coupon	2.250%	1.710%	110,000.00	101.952%	112,147.20
08/01/2015	Serial Coupon	2.250%	2.050%	115,000.00	100.899%	116,033.85
08/01/2016	Serial Coupon	2.250%	2.300%	120,000.00	99.730%	119,676.00
08/01/2017	Serial Coupon	2.500%	2.600%	120,000.00	99.382%	119,258.40
08/01/2018	Serial Coupon	2.750%	2.840%	125,000.00	99.375%	124,218.75
08/01/2019	Serial Coupon	3.000%	3.050%	125,000.00	99.615%	124,518.75
08/01/2020	Serial Coupon	3.250%	3.220%	130,000.00	100.246%	130,319.80
08/01/2021	Serial Coupon	3.250%	3.340%	135,000.00	99.189%	133,905.15
08/01/2022	Serial Coupon	3.500%	3.460%	140,000.00	100.379%	140,530.60
08/01/2023	Serial Coupon	3.500%	3.540%	145,000.00	99.588%	144,402.60
08/01/2024	Serial Coupon	3.630%	3.600%	150,000.00	100.319%	150,478.50
08/01/2025	Serial Coupon	3.750%	3.670%	155,000.00	100.900%	156,395.00
08/01/2026	Serial Coupon	3.750%	3.750%	160,000.00	100.000%	160,000.00
08/01/2027	Serial Coupon	3.880%	3.840%	165,000.00	100.486%	165,801.90
08/01/2028	Serial Coupon	4.000%	3.930%	175,000.00	100.883%	176,545.25
08/01/2029	Serial Coupon	4.000%	4.030%	180,000.00	99.602%	179,283.60
08/01/2030	Serial Coupon	4.250%	4.130%	155,000.00	101.604%	157,486.20
08/01/2031	Serial Coupon	4.250%	4.220%	160,000.00	100.406%	160,649.60
08/01/2032	Serial Coupon	4.250%	4.300%	145,000.00	99.292%	143,973.40
08/01/2033	Serial Coupon	4.375%	4.380%	50,000.00	99.922%	49,961.00
08/01/2034	Serial Coupon	4.500%	4.470%	50,000.00	100.430%	50,215.00
08/01/2035	Serial Coupon	4.500%	4.470%	55,000.00	100.440%	55,242.00
08/01/2036	Serial Coupon	4.500%	4.470%	55,000.00	100.449%	55,246.95
08/01/2037	Serial Coupon	4.500%	4.470%	60,000.00	100.459%	60,275.40
08/01/2038	Serial Coupon	4.500%	4.470%	60,000.00	100.468%	60,280.80
08/01/2039	Serial Coupon	4.500%	4.470%	65,000.00	100.476%	65,309.40
08/01/2040	Serial Coupon	4.500%	4.470%	65,000.00	100.484%	65,314.60
Total	-	-	-	\$3,395,000.00	-	\$3,406,613.60

Bid Information

Par Amount of Bonds.....	\$3,395,000.00
Reoffering Premium or (Discount).....	11,613.60
Gross Production.....	\$3,406,613.60
Total Underwriter's Discount (1.050%).....	\$(35,647.50)
Bid (99.292%).....	3,370,966.10
Total Purchase Price.....	\$3,370,966.10
Bond Year Dollars.....	\$49,056.25
Average Life.....	14.450 Years
Average Coupon.....	3.8974438%
Net Interest Cost (NIC).....	3.9464363%
True Interest Cost (TIC).....	3.8990260%

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\$3,410,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Southeastern Water Association*

Aggregate Debt Service

Date	Principal	Interest	Total P+I	Fiscal Total
11/01/2010	-	-	-	-
08/01/2011	20,000.00	89,847.75	109,847.75	-
12/30/2011	-	-	-	109,847.75
02/01/2012	-	59,767.25	59,767.25	-
08/01/2012	110,000.00	59,767.25	169,767.25	-
12/30/2012	-	-	-	229,534.50
02/01/2013	-	58,529.75	58,529.75	-
08/01/2013	110,000.00	58,529.75	168,529.75	-
12/30/2013	-	-	-	227,059.50
02/01/2014	-	57,292.25	57,292.25	-
08/01/2014	110,000.00	57,292.25	167,292.25	-
12/30/2014	-	-	-	224,584.50
02/01/2015	-	56,054.75	56,054.75	-
08/01/2015	115,000.00	56,054.75	171,054.75	-
12/30/2015	-	-	-	227,109.50
02/01/2016	-	54,761.00	54,761.00	-
08/01/2016	120,000.00	54,761.00	174,761.00	-
12/30/2016	-	-	-	229,522.00
02/01/2017	-	53,411.00	53,411.00	-
08/01/2017	120,000.00	53,411.00	173,411.00	-
12/30/2017	-	-	-	226,822.00
02/01/2018	-	51,911.00	51,911.00	-
08/01/2018	125,000.00	51,911.00	176,911.00	-
12/30/2018	-	-	-	228,822.00
02/01/2019	-	50,192.25	50,192.25	-
08/01/2019	125,000.00	50,192.25	175,192.25	-
12/30/2019	-	-	-	225,384.50
02/01/2020	-	48,317.25	48,317.25	-
08/01/2020	130,000.00	48,317.25	178,317.25	-
12/30/2020	-	-	-	226,634.50
02/01/2021	-	46,204.75	46,204.75	-
08/01/2021	135,000.00	46,204.75	181,204.75	-
12/30/2021	-	-	-	227,409.50
02/01/2022	-	44,011.00	44,011.00	-
08/01/2022	140,000.00	44,011.00	184,011.00	-
12/30/2022	-	-	-	228,022.00
02/01/2023	-	41,561.00	41,561.00	-
08/01/2023	145,000.00	41,561.00	186,561.00	-
12/30/2023	-	-	-	228,122.00
02/01/2024	-	39,023.50	39,023.50	-
08/01/2024	150,000.00	39,023.50	189,023.50	-
12/30/2024	-	-	-	228,047.00
02/01/2025	-	36,301.00	36,301.00	-
08/01/2025	155,000.00	36,301.00	191,301.00	-
12/30/2025	-	-	-	227,602.00
02/01/2026	-	33,394.75	33,394.75	-
08/01/2026	160,000.00	33,394.75	193,394.75	-
12/30/2026	-	-	-	226,789.50
02/01/2027	-	30,394.75	30,394.75	-
08/01/2027	165,000.00	30,394.75	195,394.75	-
12/30/2027	-	-	-	225,789.50
02/01/2028	-	27,193.75	27,193.75	-
08/01/2028	175,000.00	27,193.75	202,193.75	-
12/30/2028	-	-	-	229,387.50
02/01/2029	-	23,693.75	23,693.75	-
08/01/2029	180,000.00	23,693.75	203,693.75	-
12/30/2029	-	-	-	227,387.50
02/01/2030	-	20,093.75	20,093.75	-
08/01/2030	155,000.00	20,093.75	175,093.75	-
12/30/2030	-	-	-	195,187.50
02/01/2031	-	16,800.00	16,800.00	-
08/01/2031	160,000.00	16,800.00	176,800.00	-
12/30/2031	-	-	-	193,600.00
02/01/2032	-	13,400.00	13,400.00	-
08/01/2032	145,000.00	13,400.00	158,400.00	-
12/30/2032	-	-	-	171,800.00
02/01/2033	-	10,318.75	10,318.75	-
08/01/2033	50,000.00	10,318.75	60,318.75	-
12/30/2033	-	-	-	70,637.50
02/01/2034	-	9,225.00	9,225.00	-
08/01/2034	50,000.00	9,225.00	59,225.00	-
12/30/2034	-	-	-	68,450.00
02/01/2035	-	8,100.00	8,100.00	-
08/01/2035	55,000.00	8,100.00	63,100.00	-
12/30/2035	-	-	-	71,200.00
02/01/2036	-	6,862.50	6,862.50	-
08/01/2036	55,000.00	6,862.50	61,862.50	-
12/30/2036	-	-	-	68,725.00
02/01/2037	-	5,625.00	5,625.00	-
08/01/2037	60,000.00	5,625.00	65,625.00	-
12/30/2037	-	-	-	71,250.00
02/01/2038	-	4,275.00	4,275.00	-
08/01/2038	60,000.00	4,275.00	64,275.00	-
12/30/2038	-	-	-	68,550.00
02/01/2039	-	2,925.00	2,925.00	-
08/01/2039	65,000.00	2,925.00	67,925.00	-
12/30/2039	-	-	-	70,850.00
02/01/2040	-	1,462.50	1,462.50	-
08/01/2040	65,000.00	1,462.50	66,462.50	-
12/30/2040	-	-	-	67,925.00
Total	\$3,410,000.00	\$1,912,052.25	\$5,322,052.25	-

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Southeastern Water Association.....	3,395,000.00
WATER ASSOCIATIONS -Southeastern WA Taxable.....	15,000.00
TOTAL.....	3,410,000.00

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\$3,410,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Southeastern Water Association*

Total Net Debt Service

Date	Principal	Interest	Expenses	Net New D/S
12/30/2010	-	-	-	-
12/30/2011	20,000.00	89,847.75	350.00	110,197.75
12/30/2012	110,000.00	119,534.50	350.00	229,884.50
12/30/2013	110,000.00	117,059.50	350.00	227,409.50
12/30/2014	110,000.00	114,584.50	350.00	224,934.50
12/30/2015	115,000.00	112,109.50	350.00	227,459.50
12/30/2016	120,000.00	109,522.00	350.00	229,872.00
12/30/2017	120,000.00	106,822.00	350.00	227,172.00
12/30/2018	125,000.00	103,822.00	350.00	229,172.00
12/30/2019	125,000.00	100,384.50	350.00	225,734.50
12/30/2020	130,000.00	96,634.50	350.00	226,984.50
12/30/2021	135,000.00	92,409.50	350.00	227,759.50
12/30/2022	140,000.00	88,022.00	350.00	228,372.00
12/30/2023	145,000.00	83,122.00	350.00	228,472.00
12/30/2024	150,000.00	78,047.00	350.00	228,397.00
12/30/2025	155,000.00	72,602.00	350.00	227,952.00
12/30/2026	160,000.00	66,789.50	350.00	227,139.50
12/30/2027	165,000.00	60,789.50	350.00	226,139.50
12/30/2028	175,000.00	54,387.50	350.00	229,737.50
12/30/2029	180,000.00	47,387.50	350.00	227,737.50
12/30/2030	155,000.00	40,187.50	350.00	195,537.50
12/30/2031	160,000.00	33,600.00	350.00	193,950.00
12/30/2032	145,000.00	26,800.00	350.00	172,150.00
12/30/2033	50,000.00	20,637.50	350.00	70,987.50
12/30/2034	50,000.00	18,450.00	350.00	68,800.00
12/30/2035	55,000.00	16,200.00	350.00	71,550.00
12/30/2036	55,000.00	13,725.00	350.00	69,075.00
12/30/2037	60,000.00	11,250.00	350.00	71,600.00
12/30/2038	60,000.00	8,550.00	350.00	68,900.00
12/30/2039	65,000.00	5,850.00	350.00	71,200.00
12/30/2040	65,000.00	2,925.00	350.00	68,275.00
Total	\$3,410,000.00	\$1,912,052.25	\$10,500.00	\$5,332,552.25

Par Amounts Of Selected Issues

WATER ASSOCIATIONS -Southeastern Water Association.....	3,395,000.00
WATER ASSOCIATIONS -Southeastern WA Taxable.....	15,000.00
TOTAL.....	3,410,000.00

\$3,410,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Southeastern Water Association*

Sources & Uses

Dated 11/01/2010 | Delivered 11/01/2010

Sources Of Funds

Par Amount of Bonds.....	\$3,410,000.00
Reoffering Premium.....	11,613.60
Transfers from Prior Issue Debt Service Funds.....	97,407.26

Total Sources..... \$3,519,020.86

Uses Of Funds

Total Underwriter's Discount.....	35,910.00
Costs of Issuance.....	43,480.00
Deposit to Current Refunding Fund.....	3,438,620.28
Rounding Amount.....	1,010.58

Total Uses..... \$3,519,020.86

\$3,410,000

*Kentucky Rural Water Finance Corporation
Public Projects Revenue Refunding Bonds
Southeastern Water Association*

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2010	-	-	-	-	-
12/30/2011	109,847.75	350.00	110,197.75	241,601.89	131,404.14
12/30/2012	229,534.50	350.00	229,884.50	241,602.71	11,718.21
12/30/2013	227,059.50	350.00	227,409.50	241,602.11	14,192.61
12/30/2014	224,584.50	350.00	224,934.50	241,602.53	16,668.03
12/30/2015	227,109.50	350.00	227,459.50	241,601.74	14,142.24
12/30/2016	229,522.00	350.00	229,872.00	241,601.13	11,729.13
12/30/2017	226,822.00	350.00	227,172.00	241,601.45	14,429.45
12/30/2018	228,822.00	350.00	229,172.00	241,600.93	12,428.93
12/30/2019	225,384.50	350.00	225,734.50	241,601.20	15,866.70
12/30/2020	226,634.50	350.00	226,984.50	241,602.16	14,617.66
12/30/2021	227,409.50	350.00	227,759.50	241,601.24	13,841.74
12/30/2022	228,022.00	350.00	228,372.00	241,601.12	13,229.12
12/30/2023	228,122.00	350.00	228,472.00	241,600.66	13,128.66
12/30/2024	228,047.00	350.00	228,397.00	241,601.07	13,204.07
12/30/2025	227,602.00	350.00	227,952.00	241,601.70	13,649.70
12/30/2026	226,789.50	350.00	227,139.50	241,601.99	14,462.49
12/30/2027	225,789.50	350.00	226,139.50	241,600.67	15,461.17
12/30/2028	229,387.50	350.00	229,737.50	241,601.40	11,863.90
12/30/2029	227,387.50	350.00	227,737.50	241,600.95	13,863.45
12/30/2030	195,187.50	350.00	195,537.50	209,749.70	14,212.20
12/30/2031	193,600.00	350.00	193,950.00	209,749.17	15,799.17
12/30/2032	171,800.00	350.00	172,150.00	187,784.21	15,634.21
12/30/2033	70,637.50	350.00	70,987.50	85,068.46	14,080.96
12/30/2034	68,450.00	350.00	68,800.00	85,068.40	16,268.40
12/30/2035	71,200.00	350.00	71,550.00	85,068.61	13,518.61
12/30/2036	68,725.00	350.00	69,075.00	85,068.66	15,993.66
12/30/2037	71,250.00	350.00	71,600.00	85,067.83	13,467.83
12/30/2038	68,550.00	350.00	68,900.00	85,068.09	16,168.09
12/30/2039	70,850.00	350.00	71,200.00	85,067.99	13,867.99
12/30/2040	67,925.00	350.00	68,275.00	85,067.78	16,792.78
12/30/2041	-	-	-	85,068.31	85,068.31
Total	\$5,322,052.25	\$10,500.00	\$5,332,552.25	\$5,963,325.86	\$630,773.61

Sinking Fund Transfer	(97,407.26)
Rounding Amount	1,010.58
Total Net FV Benefit	<u>534,376.93</u>

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	415,354.29
Effects of changes in Expenses.....	(6,054.21)
Net PV Cashflow Savings @ 4.039%(AIC).....	409,300.08
Transfers from Prior Issue Debt Service Fund.....	(97,407.26)
Contingency or Rounding Amount.....	1,010.58
Net Present Value Benefit.....	\$312,903.40
Net PV Benefit / \$3,388,993 Refunded Principal.....	9.233%
Net PV Benefit / \$3,410,000 Refunding Principal.....	9.176%

Refunding Bond Information

Refunding Dated Date.....	
Refunding Delivery Date.....	11/01/2010

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\$1,036,442
Southeastern Water Association
Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	21,608.00	-	41,697.56	63,305.56
12/30/2012	22,716.00	-	40,589.46	63,305.46
12/30/2013	23,881.00	-	39,424.53	63,305.53
12/30/2014	25,106.00	-	38,199.85	63,305.85
12/30/2015	26,393.00	-	36,912.38	63,305.38
12/30/2016	27,747.00	-	35,558.88	63,305.88
12/30/2017	29,170.00	-	34,135.95	63,305.95
12/30/2018	30,665.00	-	32,640.08	63,305.08
12/30/2019	32,238.00	-	31,067.51	63,305.51
12/30/2020	33,891.00	-	29,414.28	63,305.28
12/30/2021	35,629.00	-	27,676.28	63,305.28
12/30/2022	37,456.00	-	25,849.16	63,305.16
12/30/2023	39,377.00	-	23,928.33	63,305.33
12/30/2024	41,397.00	-	21,908.98	63,305.98
12/30/2025	43,519.00	-	19,786.08	63,305.08
12/30/2026	45,751.00	-	17,554.33	63,305.33
12/30/2027	48,097.00	-	15,208.13	63,305.13
12/30/2028	50,564.00	-	12,741.60	63,305.60
12/30/2029	53,157.00	-	10,148.58	63,305.58
12/30/2030	55,883.00	-	7,422.58	63,305.58
12/30/2031	58,749.00	-	4,556.78	63,305.78
12/30/2032	61,761.00	5.000%	1,544.03	63,305.03
Total	\$844,755.00	-	\$547,965.34	\$1,392,720.34

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	12.640 Years
Average Coupon.....	5.0000010%
Weighted Average Maturity (Par Basis).....	12.640 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

\$538,689*Southeastern Water Association
Series 1997***Total Refunded Debt Service**

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	13,452.00	-	25,958.36	39,410.36
12/30/2012	14,142.00	-	25,268.51	39,410.51
12/30/2013	14,867.00	-	24,543.28	39,410.28
12/30/2014	15,629.00	-	23,780.88	39,409.88
12/30/2015	16,431.00	-	22,979.38	39,410.38
12/30/2016	17,273.00	-	22,136.78	39,409.78
12/30/2017	18,159.00	-	21,250.98	39,409.98
12/30/2018	19,090.00	-	20,319.75	39,409.75
12/30/2019	20,069.00	-	19,340.78	39,409.78
12/30/2020	21,099.00	-	18,311.58	39,410.58
12/30/2021	22,181.00	-	17,229.58	39,410.58
12/30/2022	23,318.00	-	16,092.11	39,410.11
12/30/2023	24,514.00	-	14,896.31	39,410.31
12/30/2024	25,771.00	-	13,639.18	39,410.18
12/30/2025	27,093.00	-	12,317.58	39,410.58
12/30/2026	28,482.00	-	10,928.21	39,410.21
12/30/2027	29,942.00	-	9,467.61	39,409.61
12/30/2028	31,478.00	-	7,932.11	39,410.11
12/30/2029	33,092.00	-	6,317.86	39,409.86
12/30/2030	34,789.00	-	4,620.83	39,409.83
12/30/2031	36,573.00	-	2,836.78	39,409.78
12/30/2032	38,449.00	5.000%	961.23	39,410.23
Total	\$525,893.00	-	\$341,129.67	\$867,022.67

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	12.640 Years
Average Coupon.....	5.0000021%
Weighted Average Maturity (Par Basis).....	12.640 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

\$406,760
Southeastern Water Association
Series 1995

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	12,632.00	-	19,220.26	31,852.26
12/30/2012	13,280.00	-	18,572.46	31,852.46
12/30/2013	13,961.00	-	17,891.43	31,852.43
12/30/2014	14,677.00	-	17,175.48	31,852.48
12/30/2015	15,429.00	-	16,422.83	31,851.83
12/30/2016	16,220.00	-	15,631.60	31,851.60
12/30/2017	17,052.00	-	14,799.80	31,851.80
12/30/2018	17,927.00	-	13,925.33	31,852.33
12/30/2019	18,846.00	-	13,006.01	31,852.01
12/30/2020	19,813.00	-	12,039.53	31,852.53
12/30/2021	20,829.00	-	11,023.48	31,852.48
12/30/2022	21,897.00	-	9,955.33	31,852.33
12/30/2023	23,020.00	-	8,832.40	31,852.40
12/30/2024	24,200.00	-	7,651.90	31,851.90
12/30/2025	25,441.00	-	6,410.88	31,851.88
12/30/2026	26,746.00	-	5,106.21	31,852.21
12/30/2027	28,117.00	-	3,734.63	31,851.63
12/30/2028	29,559.00	-	2,292.73	31,851.73
12/30/2029	31,075.00	5.000%	776.88	31,851.88
Total	\$390,721.00	-	\$214,469.17	\$605,190.17

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	10.645 Years
Average Coupon.....	5.0000022%
Weighted Average Maturity (Par Basis).....	10.645 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

\$288,601

*Southeastern Water Association
Series 1991*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	7,884.00	5.000%	14,081.36	21,965.36
12/30/2012	8,279.00	5.000%	13,687.16	21,966.16
12/30/2013	8,693.00	5.000%	13,273.20	21,966.20
12/30/2014	9,127.00	5.000%	12,838.56	21,965.56
12/30/2015	9,584.00	5.000%	12,382.20	21,966.20
12/30/2016	10,063.00	5.000%	11,903.00	21,966.00
12/30/2017	10,566.00	5.000%	11,399.86	21,965.86
12/30/2018	11,094.00	5.000%	10,871.56	21,965.56
12/30/2019	11,649.00	5.000%	10,316.86	21,965.86
12/30/2020	12,231.00	5.000%	9,734.40	21,965.40
12/30/2021	12,843.00	5.000%	9,122.86	21,965.86
12/30/2022	13,485.00	5.000%	8,480.70	21,965.70
12/30/2023	14,159.00	5.000%	7,806.46	21,965.46
12/30/2024	14,867.00	5.000%	7,098.50	21,965.50
12/30/2025	15,611.00	5.000%	6,355.16	21,966.16
12/30/2026	16,391.00	5.000%	5,574.60	21,965.60
12/30/2027	17,211.00	5.000%	4,755.06	21,966.06
12/30/2028	18,071.00	5.000%	3,894.50	21,965.50
12/30/2029	18,975.00	5.000%	2,990.96	21,965.96
12/30/2030	19,924.00	5.000%	2,042.20	21,966.20
12/30/2031	20,920.00	5.000%	1,046.00	21,966.00
Total	\$281,627.00	-	\$179,655.16	\$461,282.16

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	12.758 Years
Average Coupon.....	4.9989145%
Weighted Average Maturity (Par Basis).....	12.758 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

\$1,364,543

*Southeastern Water Association
Series 2001*

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2011	19,451.00	4.875%	65,617.35	85,068.35
12/30/2012	20,399.00	4.875%	64,669.12	85,068.12
12/30/2013	21,393.00	4.875%	63,674.67	85,067.67
12/30/2014	22,437.00	4.875%	62,631.76	85,068.76
12/30/2015	23,530.00	4.875%	61,537.95	85,067.95
12/30/2016	24,677.00	4.875%	60,390.87	85,067.87
12/30/2017	25,880.00	4.875%	59,187.86	85,067.86
12/30/2018	27,142.00	4.875%	57,926.21	85,068.21
12/30/2019	28,465.00	4.875%	56,603.04	85,068.04
12/30/2020	29,853.00	4.875%	55,215.37	85,068.37
12/30/2021	31,307.00	4.875%	53,760.04	85,067.04
12/30/2022	32,834.00	4.875%	52,233.82	85,067.82
12/30/2023	34,434.00	4.875%	50,633.16	85,067.16
12/30/2024	36,113.00	4.875%	48,954.51	85,067.51
12/30/2025	37,874.00	4.875%	47,194.00	85,068.00
12/30/2026	39,721.00	4.875%	45,347.64	85,068.64
12/30/2027	41,657.00	4.875%	43,411.24	85,068.24
12/30/2028	43,688.00	4.875%	41,380.46	85,068.46
12/30/2029	45,817.00	4.875%	39,250.67	85,067.67
12/30/2030	48,051.00	4.875%	37,017.09	85,068.09
12/30/2031	50,393.00	4.875%	34,674.61	85,067.61
12/30/2032	52,851.00	4.875%	32,217.95	85,068.95
12/30/2033	55,427.00	4.875%	29,641.46	85,068.46
12/30/2034	58,129.00	4.875%	26,939.40	85,068.40
12/30/2035	60,963.00	4.875%	24,105.61	85,068.61
12/30/2036	63,935.00	4.875%	21,133.66	85,068.66
12/30/2037	67,051.00	4.875%	18,016.83	85,067.83
12/30/2038	70,320.00	4.875%	14,748.09	85,068.09
12/30/2039	73,748.00	4.875%	11,319.99	85,067.99
12/30/2040	77,343.00	4.875%	7,724.78	85,067.78
12/30/2041	81,114.00	4.875%	3,954.31	85,068.31
Total	\$1,345,997.00	-	\$1,291,113.52	\$2,637,110.52

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	11/01/2010
Average Life.....	19.368 Years
Average Coupon.....	4.8750000%
Weighted Average Maturity (Par Basis).....	19.368 Years

Refunding Bond Information

Refunding Dated Date.....	11/01/2010
Refunding Delivery Date.....	11/01/2010

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South Eastern Water Association, Inc.
Statements of Financial Position
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash	\$ 91,107	\$ 158,017
Certificates of deposit	169,116	334,909
Accounts receivable, net	203,924	214,338
Inventory	40,744	58,467
Prepaid expenses	31,061	30,287
Total current assets	<u>535,952</u>	<u>796,018</u>
Restricted cash	563,633	712,624
Property and equipment, net	<u>20,294,517</u>	<u>20,824,151</u>
Total assets	<u>\$ 21,394,102</u>	<u>\$ 22,332,793</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 142,711	\$ 359,713
Accrued interest	39,168	40,037
Advance tap-on fees	32,185	29,610
Current portion of long-term debt	230,641	172,353
Total current liabilities	<u>444,705</u>	<u>601,713</u>
Non-current liabilities		
Loans payable to Rural Development	8,251,953	8,449,575
Loans payable to Capmark	229,801	246,803
Total non-current liabilities	<u>8,481,754</u>	<u>8,696,378</u>
Total liabilities	<u>8,926,459</u>	<u>9,298,091</u>
Net assets		
Unrestricted	(777,379)	(1,344,810)
Membership fees	96,326	91,626
Tap-on fees	3,841,024	3,797,194
Donated capital - federal grants	7,468,428	7,545,435
Donated capital - other grants	1,275,611	2,232,633
Total unrestricted	11,904,010	12,322,078
Temporarily restricted	563,633	712,624
Restricted	<u>-</u>	<u>-</u>
Total net assets	<u>12,467,643</u>	<u>13,034,702</u>
Total liabilities and net assets	<u>\$ 21,394,102</u>	<u>\$ 22,332,793</u>

The accompanying notes are an integral part of these financial statements.

South Eastern Water Association, Inc.
Statements of Activities
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Sales	\$ 2,506,353	\$ 2,642,030
Cost of water sold	<u>(1,254,243)</u>	<u>(1,321,761)</u>
Net revenues from water	<u>1,252,110</u>	<u>1,320,269</u>
 General and administrative		
Depreciation	715,499	576,447
Wages	296,908	289,381
Maintenance	144,392	235,387
Insurance expense	130,095	130,204
Other general and administrative	85,565	118,188
Customer billing	98,286	87,986
Directors' fees	48,000	48,000
Office expense	51,779	56,172
Bad debts	25,524	20,736
Professional fees	43,360	47,131
Tax and license	<u>33,013</u>	<u>34,439</u>
Total general and administrative	<u>1,672,421</u>	<u>1,644,071</u>
 Net income (loss) from operations	<u>(420,311)</u>	<u>(323,802)</u>
 Non-operating revenues (expenses)		
Capital contributions - federal grants	55,566	132,573
Capital contributions - other grants	155,220	1,112,242
Interest income	4,578	14,862
Gain (loss) on disposal of equipment	(54)	(6,910)
Interest expense	<u>(410,588)</u>	<u>(319,787)</u>
Total non-operating revenues (expenses)	<u>(195,278)</u>	<u>932,980</u>
 Change in net assets	<u>(615,589)</u>	<u>609,178</u>
 Unrestricted net assets - beginning	12,322,078	11,637,360
Transfer (to) from temporarily restricted net assets	148,991	(88,075)
Membership fees collected	4,700	5,250
Tap-on fees collected	<u>43,830</u>	<u>158,365</u>
 Unrestricted net assets - ending	<u>11,904,010</u>	<u>12,322,078</u>
 Temporarily restricted net assets - beginning	712,624	624,549
Transfer (to) from unrestricted net assets	<u>(148,991)</u>	<u>88,075</u>
 Temporarily restricted net assets - ending	<u>563,633</u>	<u>712,624</u>
 Ending net assets	<u>\$ 12,467,643</u>	<u>\$ 13,034,702</u>

The accompanying notes are an integral part of these financial statements.

South Eastern Water Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Net income from operations	\$ (420,311)	\$ (323,802)
Adjustments to reconcile net income from operations to net cash provided by operating activities		
Depreciation	715,499	576,447
Bad Debts	25,524	20,736
(Increase) decrease in		
Inventory	17,723	(2,725)
Accounts receivable	12,615	(43,811)
Prepaid expenses	(774)	923
Increase (decrease) in		
Accounts payable and accrued liabilities	(217,002)	(116,489)
Advance tap-on fees	2,575	(79,570)
Accrued interest	(869)	(3,483)
Net cash provided by operating activities	<u>134,980</u>	<u>28,226</u>
Cash flows from investing activities		
Interest income	4,578	14,862
Investment in (redemption of) certificates of deposit	165,793	150,374
Proceeds from sale of property	2,000	805
Cash payments for the purchase and construction of fixed assets	<u>(215,644)</u>	<u>(1,580,876)</u>
Net cash used by investing activities	<u>(43,273)</u>	<u>(1,414,835)</u>
Cash flows from financing activities		
Interest expense	(410,588)	(319,787)
Proceeds from federal grants	55,566	132,573
Proceeds from other grants	155,220	1,112,242
Proceeds from tap on and membership fees	48,530	163,615
Proceeds from long-term debt	-	368,960
Principal payments on long-term debt	<u>(156,336)</u>	<u>(122,008)</u>
Net cash provided by financing activities	<u>(307,608)</u>	<u>1,335,595</u>
Net increase (decrease) in cash and cash equivalents	(215,901)	(51,014)
Cash and cash equivalents, beginning of year	<u>870,641</u>	<u>921,655</u>
Cash and cash equivalents, end of year	<u>\$ 654,740</u>	<u>\$ 870,641</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	<u>\$ 411,457</u>	<u>\$ 423,270</u>

The accompanying notes are an integral part of these financial statements.

BRUCE ORWIN
P.O. BOX 716
SOMERSET, KY. 42501

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(Rev. 1-97)

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REAL ESTATE MORTGAGE FOR KENTUCKY

THIS MORTGAGE is made and entered into by SOUTH EASTERN WATER ASSOCIATION, INC.

residing in 147 EAST SOMERSET CHURCH ROAD, SOMERSET, PULASKI County, Kentucky, whose post office address is P.O. BOX 778, SOMERSET, , Kentucky 42502 , herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory notes or assumption agreements or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
NOVEMBER 8, 2006	\$2,754,000.00	4.375%	NOVEMBER 8, 2046

PULASKI COUNTY CLERK
TRINITY DENHAM
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(The interest rate for limited resource farm ownership or limited resource operating loans secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. §2001.

NOW, THEREFORE, in consideration of the loans and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision and (b) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County or Counties of PULASKI

SEE EXHIBIT "A"

being the same (or part of the same) land conveyed* together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income therefrom, all improvements, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein in all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgagee are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with regulations.

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

- (1) To pay promptly when due any indebtedness to the Government hereby secured less the Government against any loss under its insurance of payment of the note by reason of any default by Borrower.
- (2) To pay to the Government such fees and other charges as may now or hereafter be required by Government regulations.
- (3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.
- (4) The Government, may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.
- (5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.
- (6) To use the loan evidenced by the note solely for purposes authorized by the Government.
- (7) To pay when due all taxes, liens, judgments encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.
- (8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.
- (9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.
- (10) To comply with all laws, ordinances, and regulations affecting the property.
- (11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.
- (12) Except as otherwise provided by Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as prohibited by 7 C.F.R. part 1940, subpart G.

(22) This instrument shall be subject to the present Government regulations and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, and addressed, unless and until some other address is designated in a notice so given, in the case of the Government to,

_____ and in the case of Borrower to the address shown in the Government's Finance Office records (which normally will be the same as the post office shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

Given under the hands and seals of Borrower this 9th day of NOVEMBER, 192008.
X Joe Richards, T (SEAL)
_____ (SEAL)

STATE OF KENTUCKY }
COUNTY OF PULASKI } ss:

Before me, D. BRUCE DRWIN, a Notary Public in and for
the County of PULASKI/STATE AT LARGE personally appeared JOE RICHARDS, AS PRES.
OF BORROWER and _____, his wife,
who acknowledged that they executed the foregoing instrument on the 8th
day of NOVEMBER, 192008, as their free act and deed.

WITNESS my hand and official seal this 8 day of NOVEMBER, 192008.

[Signature]
Notary Public

(SEAL)
My commission expires: 4 APRIL 2008

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of

D. BRUCE DRWIN
ATTORNEY
(name),
P.O. BOX 716, SOMMERSVILLE, KY 40252
(address)
[Signature]
(Signature)

RECORDER'S SIGNATURE

STATE OF KENTUCKY }
COUNTY OF _____ } ss:

I, _____, Clerk of the County Court for the County aforesaid, do certify
that the foregoing mortgage was on the _____ day of _____, 19____, lodged for record
at _____ o'clock _____ M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this _____ day of _____, 19____.

Clerk of _____ County Court
By _____, D.C.

BOOK PAGE
1043 0570

EXHIBIT "A"

All those tracts of real property conveyed unto Southeastern Water Association, Inc. and the predecessor legal entities of the South Eastern Water Association, Inc. by deeds referred to below. Reference is made to those deeds for a more complete description:

Tateville Water Association, Inc.

T-1 Deed Book 484, Page 278
T-2 Deed Book 484, Page 276
T-3 Deed Book 355, Page 455
T-4 Deed Book 355, Page 457

Elihu-Rush Branch Water Association, Inc.

ER-1 Deed Book 518, Page 415
ER-2 Deed Book 412, Page 019
ER-3 Deed Book 534, Page 579
ER-4 Deed Book 324, Page 513

Nelson Valley Water Association, Inc.

N-1 Deed Book 538, Page 469
N-2 Deed Book 531, Page 397
N-3 Deed Book 520, Page 582
N-4 Deed Book 526, Page 055
N-5 Deed Book 527, Page 558
N-6 Deed Book 292, Page 001
N-7 Deed Book 292, Page 132

Barnesburg Water Association, Inc.

B-1 Deed Book 501, Page 155
B-2 Deed Book 424, Page 215
B-3 Deed Book 424, Page 218
B-4 Deed Book 320, Page 225
B-5 Deed Book 320, Page 162
B-6 Deed Book 320, Page 227

South Eastern Water Association, Inc.

BOOK PAGE
1043 0571

SE-1 Deed Book 677, Page 082
SE-2 Deed Book 780, Page 166

South Eastern Water Association, Inc. was formed by consolidation of Nelson Valley Water Association, Inc. and Elihu Tateville Water Association, Inc. by Articles of consolidation filed December 27, 1993 and filed of record in Articles of Incorporation Book 17, Page 665, Pulaski County Court Clerk's Office. Elihu Tateville Water association, Inc. was formed by consolidation of Tateville Water Association, Inc. and Elihu Rush Branch Water association, Inc. , by Articles of Consolidation recorded July 22, 1991, filed of record in Articles of Incorporation Book 16, Page 163, Pulaski County court clerk's Office. Barnesburg Water association, Inc. and South Eastern Water Association, Inc. merged by virtue of Articles of Merger dated October 14, 1996, and filed of record in Incorporation Book 20, Page 91, clerk's office aforesaid.

STATE OF KENTUCKY, COUNTY OF PULASKI, SCT. 1
TRUDY DENHAM, CLERK OF THE PULASKI COUNTY, DO
CERTIFY THAT THE FOREGOING INSTRUMENT WAS ON
THE 8 DAY OF NOV 1996 AT 12:00 PM, LODGED FOR
RECORD, AND THAT IT HAS BEEN DULY RECORDED IN MY SAID
OFFICE, TOGETHER WITH THIS AND THE CERTIFICATE THEREON
ENDORSED, GIVEN UNDER MY HAND THIS 8 DAY
OF NOV 1996, BOOK 1043 PAGE 0571
TRUDY DENHAM, CLERK
