

December 31, 2014

RECEIVED

JAN 5 2014

PUBLIC SERVICE
COMMISSION

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

Re: Southeastern Water Association PSC Application

Dear Mr. Derouen:

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

This Application requests approval for the issuance of securities for the purpose of refunding certain high interest Bonds of the Association held by USDA, Rural Development.

Please be advised that the Association is requesting the Commission to expedite this Application and issue the approving Order on or before January 29, 2015 due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the Association.

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: Mr. Harvey Phelps, Southeastern Water Association
Ms. Kristen Millard, Raymond James and Associates

RECEIVED

JAN 5 2014

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF THE SOUTHEASTERN)
WATER ASSOCIATION, INC., TO)
ISSUE SECURITIES IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$3,140,000 FOR)
THE PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING INDEBTEDNESS OF THE) Case No. 2014 - _____
ASSOCIATION PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Southeastern 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 \$3,140,000 (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 was formed pursuant to a Commission approved merger and consolidation of the Elihu Tateville Water Association and the Nelson Valley Water Association in the Commonwealth of Kentucky on

December 17, 1993 and is currently in good standing with the Kentucky Secretary of State. 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:

Southeastern Water Association, Inc.
c/o Mr. Morris Vaughn, Manager
147 East Somerset Church Road
Somerset, Kentucky 42503
Telephone: (606) 678-5501
Fax: (606) 677-9664
Email: mvsomerset@vahoo.com

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 2013 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The Association proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an assistance agreement in the estimated principal amount of \$3,140,000 (subject to adjustment of up to 10%) (the "KRWFC Loan") for the purpose of refunding the outstanding indebtedness of the Association designated as (i) Southeastern Water Association Promissory Note, dated September 14, 1995, in the original principal amount of \$557,413.09 bearing interest at the rate of 5.00% per annum (the "1995 Note"); (ii) Southeastern Water Association Promissory Note (Series A), dated February 12, 1997, in the original principal amount

of \$1,036,442.44, bearing interest at the rate of 5.00% per annum (the "1997A Note"); (iii) Southeastern Water Association Promissory Note (Series B), dated February 12, 1997, in the original principal amount of \$752,084.94, bearing interest at the rate of 5.00% per annum (the "1997B Note"); and (iv) Southeastern 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") (hereinafter the 1995 Note, the 1997A Note, the 1997B Note and the 2001 Note shall be collectively referred to as the "Prior Loans"). All of said Prior Loans are currently held by the United States Department of Agriculture, acting through Rural Development ("RD").

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A**, 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 KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

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

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

9. It is anticipated that the proposed refinancing will generate a net present value cashflow savings of approximately \$244,514.86. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan may be adjusted, based upon the final interest rate as of closing of the proposed KRWFC 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 D**.

12. The Association represents that the KRWFC 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 KRWFC 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 KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the KRWFC Loan, the price paid, the costs and expenses incurred in the issuance of the KRWFC Loan, and the final terms and interest rates of the KRWFC Loan.

14. The detailed (i) Statement of Financial Position; (ii) Statement of Activities; (iii) Statement of Changes in Net Assets; and (iv) Statement of Cash Flows for the twelve month period ending on December 31, 2013 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

15. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; the Association hereby responds as follows:

- (i) Section 12(1)(b): The Association states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to the Association's financial condition have occurred since the end of the twelve (12) month period contained in the Association's most recent annual report on file with the Commission.
- (ii) Section 12(2)(a), (b) and (c) Stock: The Association does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The Association's mortgages are attached hereto as **Exhibit F**.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the Association is contained in the 2013 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The Association has no outstanding stock and therefore pays no dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

16. Pursuant to 807 KAR 5:001, Section 18, the Association hereby responds as follows:

- (i) Section 18(1)(a): The Association has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the Association's property, its field of operation and a statement of original cost of said property and the

cost to the Association is contained in the Association's 2013 Annual Report on file with this Commission.


- (iii) Section 18(1)(c): The Association is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the Association's water system.
- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to refund the outstanding Prior Loans.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the refunding of the Prior Loans are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The Association does not have any outstanding trust deeds. Copies of the Association's outstanding mortgages are attached hereto as **Exhibit F**.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

17. No rate adjustment will be necessary.

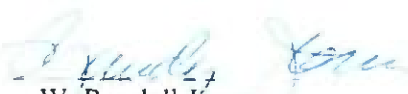
WHEREFORE, the Association respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application;
 2. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the Association by taking full advantage of current low interest rates, the Association requests that the Commission issued its Order on or before **January 29, 2015**; 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.

Southeastern Water Association, Inc.

By 
President
147 East Somerset Church Road
Somerset, Kentucky 42503
Phone: (606) 678-5501
Fax: (606) 677-9664
Email: mvsomerset@yahoo.com


Rubin & Hays

By 
W. Randall Jones
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Email: wjones@rubinhays.com
Counsel for Southeastern Water
Association, Inc.

STATE OF KENTUCKY)
) SS
COUNTY OF PULASKI)

The affiant, Harvey Phelps, being first duly sworn, states: That he is the President of the Southeastern 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.

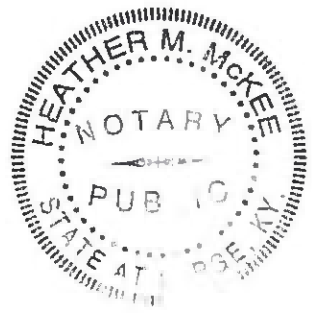
IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 22nd day of December, 2014.


Harvey Phelps, President

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Harvey Phelps President of the Southeastern Water Association, Inc., on this the 22nd day of December, 2014.

My Commission expires: March 5th 2016


NOTARY PUBLIC



Preliminary

\$3,140,000

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

Debt Service Schedule

Date	Principal	Coupon	Interest	Total Pmt	Fiscal Total
12/15/2014					
08/01/2015			71,431.38	71,431.38	
12/30/2015					71,431.38
02/01/2016	120,000.00	1.240%	56,892.25	181,892.25	
08/01/2016			56,117.25	56,117.25	
12/30/2016					238,009.50
02/01/2017	125,000.00	1.750%	56,117.20	181,117.20	
08/01/2017			55,023.50	55,023.50	
12/30/2017					236,140.70
02/01/2018	130,000.00	2.370%	55,023.50	185,023.50	
08/01/2018			53,481.00	53,481.00	
12/30/2018					238,500.50
02/01/2019	130,000.00	2.470%	51,483.00	181,483.00	
08/01/2019			51,877.50	51,877.50	
12/30/2019					235,360.50
02/01/2020	135,000.00	2.700%	51,877.50	186,877.50	
08/01/2020			50,051.00	50,051.00	
12/30/2020					236,412.50
02/01/2021	140,000.00	2.950%	50,051.00	190,051.00	
08/01/2021			47,990.00	47,990.00	
12/30/2021					218,045.00
02/01/2022	145,000.00	3.160%	47,990.00	192,980.00	
08/01/2022			45,699.00	45,699.00	
12/30/2022					238,689.00
02/01/2023	150,000.00	3.310%	45,699.00	195,699.00	
08/01/2023			43,216.50	43,216.50	
12/30/2023					238,915.50
02/01/2024	155,000.00	3.460%	43,216.50	198,216.50	
08/01/2024			40,535.00	40,535.00	
12/30/2024					238,751.50
02/01/2025	160,000.00	3.600%	40,535.00	200,535.00	
08/01/2025			37,367.00	37,367.00	
12/30/2025					237,902.00
02/01/2026	165,000.00	3.960%	37,367.00	202,367.00	
08/01/2026			34,100.00	34,100.00	
12/30/2026					236,467.00
02/01/2027	175,000.00	3.960%	34,100.00	209,100.00	
08/01/2027			30,631.00	30,631.00	
12/30/2027					239,735.00
02/01/2028	180,000.00	3.960%	30,631.00	210,631.00	
08/01/2028			27,071.00	27,071.00	
12/30/2028					237,706.00
02/01/2029	185,000.00	3.960%	27,071.00	212,071.00	
08/01/2029			23,408.00	23,408.00	
12/30/2029					235,479.00
02/01/2030	160,000.00	3.960%	23,408.00	183,408.00	
08/01/2030			20,240.00	20,240.00	
12/30/2030					203,148.00
02/01/2031	165,000.00	4.600%	20,240.00	185,240.00	
08/01/2031			16,445.00	16,445.00	
12/30/2031					201,645.00
02/01/2032	150,000.00	4.600%	16,445.00	166,445.00	
08/01/2032			12,995.00	12,995.00	
12/30/2032					179,440.00
02/01/2033	50,000.00	4.600%	12,995.00	62,995.00	
08/01/2033			11,845.00	11,845.00	
12/30/2033					74,840.00
02/01/2034	55,000.00	4.600%	11,845.00	66,840.00	
08/01/2034			10,580.00	10,580.00	
12/30/2034					77,425.00
02/01/2035	55,000.00	4.600%	10,580.00	65,580.00	
08/01/2035			9,315.00	9,315.00	
12/30/2035					74,895.00
02/01/2036	60,000.00	4.600%	9,315.00	69,315.00	
08/01/2036			7,935.00	7,935.00	
12/30/2036					77,250.00
02/01/2037	65,000.00	4.600%	7,935.00	72,935.00	
08/01/2037			6,440.00	6,440.00	
12/30/2037					79,375.00
02/01/2038	65,000.00	4.600%	6,440.00	71,440.00	
08/01/2038			4,945.00	4,945.00	
12/30/2038					76,385.00
02/01/2039	70,000.00	4.600%	4,945.00	74,945.00	
08/01/2039			3,335.00	3,335.00	
12/30/2039					78,280.00
02/01/2040	70,000.00	4.600%	3,335.00	73,335.00	
08/01/2040			1,725.00	1,725.00	
12/30/2040					71,060.00
02/01/2041	75,000.00	4.600%	1,725.00	76,725.00	
12/30/2041					76,725.00
Total	\$3,140,000.00		\$1,531,079.13	\$4,671,079.13	

Yield Statistics

Bond Year Dollars	537,456.22
Average Life	11.929 Years
Average Coupon	4.079882%
Net Interest Cost (NIC)	4.218730%
True Interest Cost (TIC)	4.197781%
Bond Yield for Arbitrage Purposes	4.100682%
All Inclusive Cost (AIC)	3.363284%
IRS Form 8038	
Net Interest Cost	4.092982%
Weighted Average Maturity	11.929 Years

Raymond James

Preliminary

\$3,140,000

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

Sources & Uses

Dated 12/15/2014 | Delivered 12/15/2014

Sources Of Funds

<u>Par Amount of Bonds</u>	<u>\$3,140,000.00</u>
<u>Transfers from Prior Issue Debt Service Funds</u>	<u>121,926.44</u>
Total Sources	<u>\$3,261,926.44</u>

Uses Of Funds

<u>Total Underwriter's Discount (1.500%)</u>	<u>47,100.00</u>
<u>Costs of Issuance</u>	<u>45,180.00</u>
<u>Deposit to Current Refunding Fund</u>	<u>3,168,231.68</u>
<u>Rounding Amount</u>	<u>1,414.76</u>
Total Uses	<u>\$3,261,926.44</u>

Preliminary

\$3,140,000

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

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2014	-	-	-	-
12/30/2015	71,431.38	71,431.38	245,313.72	173,882.34
12/30/2016	238,009.50	238,009.50	245,313.77	7,304.27
12/30/2017	236,140.75	236,140.75	245,312.23	9,171.48
<u>12/30/2018</u>	<u>238,506.50</u>	<u>238,506.50</u>	<u>245,313.18</u>	<u>6,806.68</u>
12/30/2019	235,360.50	235,360.50	245,313.81	9,953.31
12/30/2020	236,932.50	236,932.50	245,312.95	8,380.45
12/30/2021	238,045.00	238,045.00	245,311.71	7,266.71
12/30/2022	238,689.00	238,689.00	245,312.50	6,623.50
<u>12/30/2023</u>	<u>238,915.50</u>	<u>238,915.50</u>	<u>245,312.82</u>	<u>6,397.32</u>
12/30/2024	238,751.50	238,751.50	245,313.54	6,562.04
12/30/2025	237,902.00	237,902.00	245,313.69	7,411.69
12/30/2026	236,467.00	236,467.00	245,313.48	8,846.48
12/30/2027	239,735.00	239,735.00	245,312.22	5,577.22
<u>12/30/2028</u>	<u>237,706.00</u>	<u>237,706.00</u>	<u>245,314.18</u>	<u>7,608.18</u>
12/30/2029	235,479.00	235,479.00	245,313.66	9,834.66
12/30/2030	203,648.00	203,648.00	211,045.68	7,397.68
12/30/2031	201,685.00	201,685.00	211,046.41	9,361.41
12/30/2032	179,440.00	179,440.00	188,750.68	9,310.68
<u>12/30/2033</u>	<u>74,840.00</u>	<u>74,840.00</u>	<u>85,011.72</u>	<u>10,171.72</u>
12/30/2034	77,425.00	77,425.00	85,011.46	7,586.46
12/30/2035	74,895.00	74,895.00	85,011.57	10,116.57
12/30/2036	77,250.00	77,250.00	85,011.62	7,761.62
12/30/2037	79,375.00	79,375.00	85,011.89	5,636.89
<u>12/30/2038</u>	<u>76,385.00</u>	<u>76,385.00</u>	<u>85,011.30</u>	<u>8,626.30</u>
12/30/2039	78,280.00	78,280.00	85,011.49	6,731.49
12/30/2040	75,060.00	75,060.00	85,011.66	9,951.66
12/30/2041	76,725.00	76,725.00	85,011.68	8,286.68
Total	\$4,673,079.13	\$4,673,079.13	\$5,055,644.62	\$382,565.49

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	382,565.49
Gross PV Debt Service Savings	244,514.86
Net PV Cashflow Savings @ 4.363%(AIC)	244,514.86
Transfers from Prior Issue Debt Service Fund	(110,244.72)
Contingency or Rounding Amount	1,279.21
Net Present Value Benefit	\$135,549.35
Net PV Benefit / \$3,105,896 Refunded Principal	4.364%
Net Future Value Benefit	\$273,599.98
Net PV Benefit / \$3,140,000 Refunding Principal	4.317%
Average Annual Cash Flow Savings	13,663.05

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Raymond James

Preliminary

\$1,364,543

Southeastern Water Association

Series 2001

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2015	23,515.00	4.875%	61,497.20	85,012.20
12/30/2016	24,661.00	4.875%	60,350.84	85,011.84
12/30/2017	25,863.00	4.875%	59,148.62	85,011.62
12/30/2018	27,124.00	4.875%	57,887.80	85,011.80
12/30/2019	28,446.00	4.875%	56,565.50	85,011.50
12/30/2020	29,833.00	4.875%	55,178.76	85,011.76
12/30/2021	31,287.00	4.875%	53,724.40	85,011.40
12/30/2022	32,813.00	4.875%	52,199.16	85,012.16
12/30/2023	34,412.00	4.875%	50,599.53	85,011.53
12/30/2024	36,090.00	4.875%	48,921.94	85,011.94
12/30/2025	37,849.00	4.875%	47,162.55	85,011.55
12/30/2026	39,694.00	4.875%	45,317.42	85,011.42
12/30/2027	41,629.00	4.875%	43,382.33	85,011.33
12/30/2028	43,659.00	4.875%	41,352.92	85,011.92
12/30/2029	45,787.00	4.875%	39,224.54	85,011.54
12/30/2030	48,019.00	4.875%	36,992.43	85,011.43
12/30/2031	50,360.00	4.875%	34,651.50	85,011.50
12/30/2032	52,815.00	4.875%	32,196.45	85,011.45
12/30/2033	55,390.00	4.875%	29,621.72	85,011.72
12/30/2034	58,090.00	4.875%	26,921.46	85,011.46
12/30/2035	60,922.00	4.875%	24,089.57	85,011.57
12/30/2036	63,892.00	4.875%	21,119.62	85,011.62
12/30/2037	67,007.00	4.875%	18,004.89	85,011.89
12/30/2038	70,273.00	4.875%	14,738.30	85,011.30
12/30/2039	73,699.00	4.875%	11,312.49	85,011.49
12/30/2040	77,292.00	4.875%	7,719.66	85,011.66
12/30/2041	81,060.00	4.875%	3,951.68	85,011.68
Total	\$1,261,481.00	-	\$1,033,833.28	\$2,295,314.28

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/15/2014
Average Life	16.381 Years
Average Coupon	4.8750001%
Weighted Average Maturity (Par Basis)	16.381 Years

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Preliminary

\$1,036,442

Southeastern Water Association
Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
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	\$751,444.00	-	\$388,053.94	\$1,139,497.94

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/15/2014
Average Life	9.873 Years
Average Coupon	5.0000012%
Weighted Average Maturity (Par Basis)	9.873 Years

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Raymond James

Preliminary

\$525,765

Southeastern Water Association

Series 1997

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2015	16,858.00	-	23,576.91	40,434.91
12/30/2016	17,722.00	-	22,712.41	40,434.41
12/30/2017	18,631.00	-	21,803.58	40,434.58
12/30/2018	19,587.00	-	20,848.13	40,435.13
12/30/2019	<u>20,591.00</u>	-	<u>19,843.68</u>	<u>40,434.68</u>
12/30/2020	21,647.00	-	18,787.73	40,434.73
12/30/2021	22,757.00	-	17,677.63	40,434.63
12/30/2022	23,924.00	-	16,510.60	40,434.60
12/30/2023	25,151.00	-	15,283.73	40,434.73
12/30/2024	<u>26,441.00</u>	-	<u>13,993.93</u>	<u>40,434.93</u>
12/30/2025	27,797.00	-	12,637.98	40,434.98
12/30/2026	29,223.00	-	11,212.48	40,435.48
12/30/2027	30,721.00	-	9,713.88	40,434.88
12/30/2028	32,297.00	-	8,138.43	40,435.43
12/30/2029	<u>33,953.00</u>	-	<u>6,482.18</u>	<u>40,435.18</u>
12/30/2030	35,694.00	-	4,741.01	40,435.01
12/30/2031	37,525.00	-	2,910.53	40,435.53
12/30/2032	39,448.00	5.000%	986.20	40,434.20
Total	\$479,967.00	-	\$247,861.02	\$727,828.02

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/15/2014
Average Life	9.956 Years
Average Coupon	5.0000019%
Weighted Average Maturity (Par Basis)	9.956 Years

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Preliminary

\$406,760

Southeastern Water Association

Series 1995

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2015	16,599.00	-	17,668.23	34,267.23
12/30/2016	17,451.00	-	16,816.98	34,267.98
12/30/2017	18,345.00	-	15,922.08	34,267.08
12/30/2018	19,286.00	-	14,981.31	34,267.31
12/30/2019	20,276.00	-	13,992.26	34,268.26
12/30/2020	21,315.00	-	12,952.48	34,267.48
12/30/2021	22,408.00	-	11,859.40	34,267.40
12/30/2022	23,557.00	-	10,710.28	34,267.28
12/30/2023	24,765.00	-	9,502.23	34,267.23
12/30/2024	26,035.00	-	8,232.23	34,267.23
12/30/2025	27,371.00	-	6,897.08	34,268.08
12/30/2026	28,774.00	-	5,493.45	34,267.45
12/30/2027	30,249.00	-	4,017.88	34,266.88
12/30/2028	31,801.00	-	2,466.63	34,267.63
12/30/2029	33,432.00	5.000%	835.80	34,267.80
Total	\$361,664.00	-	\$152,348.32	\$514,012.32

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/15/2014
Average Life	7.969 Years
Average Coupon	5.0000024%
Weighted Average Maturity (Par Basis)	7.969 Years

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Raymond James

Preliminary

\$288,601

Southeastern Water Association

Series 1991

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2015	9,727.00	5.000%	12,567.00	22,294.00
12/30/2016	10,213.00	5.000%	12,080.66	22,293.66
12/30/2017	10,723.00	5.000%	11,570.00	22,293.00
12/30/2018	11,260.00	5.000%	11,033.86	22,293.86
12/30/2019	11,823.00	5.000%	10,470.86	22,293.86
12/30/2020	12,414.00	5.000%	9,879.70	22,293.70
12/30/2021	13,034.00	5.000%	9,259.00	22,293.00
12/30/2022	13,686.00	5.000%	8,607.30	22,293.30
12/30/2023	14,371.00	5.000%	7,923.00	22,294.00
12/30/2024	15,089.00	5.000%	7,204.46	22,293.46
12/30/2025	15,844.00	5.000%	6,450.00	22,294.00
12/30/2026	16,636.00	5.000%	5,657.80	22,293.80
12/30/2027	17,468.00	5.000%	4,826.00	22,294.00
12/30/2028	18,341.00	5.000%	3,952.60	22,293.60
12/30/2029	19,258.00	5.000%	3,035.56	22,293.56
12/30/2030	20,221.00	5.000%	2,072.66	22,293.66
12/30/2031	21,232.00	5.000%	1,061.60	22,293.60
Total	\$251,340.00	-	\$127,652.06	\$378,992.06

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	12/15/2014
Average Life	10.035 Years
Average Coupon	4.9986184%
Weighted Average Maturity (Par Basis)	10.035 Years

Refunding Bond Information

Refunding Dated Date	12/15/2014
Refunding Delivery Date	12/15/2014

Southeastern Water Association, Inc.
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash	\$ 930,678	\$ 515,909
Certificates of deposit, savings and money market	1,939,823	1,739,552
Accounts receivable, net	314,110	321,208
Inventory	67,158	65,350
Prepaid expenses	<u>37,548</u>	<u>39,082</u>
Total current assets	<u>3,289,317</u>	<u>2,681,101</u>
Restricted cash	602,452	630,459
Property and equipment, net	<u>23,833,918</u>	<u>24,189,248</u>
Total assets	<u>\$ 27,725,687</u>	<u>\$ 27,500,808</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 173,507	\$ 469,426
Accrued interest	37,272	122,936
Advance tap-on fees	32,690	32,690
Current portion of long-term debt	<u>244,677</u>	<u>182,591</u>
Total current liabilities	<u>488,146</u>	<u>807,643</u>
Non-current liabilities		
Loans payable to Rural Development	11,532,552	11,832,982
Loans payable to Capmark	<u>-</u>	<u>184,431</u>
Total non-current liabilities	<u>11,532,552</u>	<u>12,017,413</u>
Total liabilities	<u>12,020,698</u>	<u>12,825,056</u>
Net Assets		
Unrestricted		
Reserved by contract	602,452	630,459
Reserved by board	120,000	120,000
Membership fees	116,256	110,866
Tap-on fees	2,900,263	2,844,423
Other	<u>11,966,018</u>	<u>10,970,004</u>
Total net assets	<u>15,704,989</u>	<u>14,675,752</u>
Total liabilities and net assets	<u>\$ 27,725,687</u>	<u>\$ 27,500,808</u>

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

Southeastern Water Association, Inc.
Statements of Activities
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues		
Sales	\$ 3,967,897	\$ 3,858,128
Cost of water sold	<u>(1,394,676)</u>	<u>(1,362,603)</u>
Net revenues from water	<u>2,573,221</u>	<u>2,495,525</u>
General and administrative		
Depreciation	746,250	729,675
Wages	303,899	302,453
Maintenance	113,048	91,954
Insurance expense	145,547	119,023
Other general and administrative	105,487	100,778
Customer billing	99,403	98,447
Directors' fees	34,400	36,650
Office expense	58,695	54,952
Bad debts	38,649	40,657
Professional fees	57,432	49,681
Tax and license	<u>38,177</u>	<u>37,014</u>
Total general and administrative	<u>1,740,987</u>	<u>1,661,284</u>
Net income (loss) from operations	<u>832,234</u>	<u>834,241</u>
Non-operating revenues (expenses)		
Capital contributions - federal grants	471,526	916,608
Capital contributions - other grants	-	76,621
Membership fees collected	5,390	5,050
Tap-on fees collected, net of amounts refunded	55,840	31,825
Interest income	7,877	7,340
Gain (loss) on disposal of equipment	-	1,500
Interest expense	<u>(343,630)</u>	<u>(427,782)</u>
Total non-operating revenues (expenses)	<u>197,003</u>	<u>611,162</u>
Change in net assets	1,029,237	1,445,403
Net assets - beginning	<u>14,675,752</u>	<u>13,230,349</u>
Net Assets - Ending	<u>\$ 15,704,989</u>	<u>\$ 14,675,752</u>

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

Southeastern Water Association, Inc.
 Statements of Changes in Net Assets
 For the Years Ended December 31, 2013 and 2012

	<u>Unrestricted: Reserved by contract</u>	<u>Unrestricted: Reserved by board</u>	<u>Unrestricted: Membership Fees</u>	<u>Unrestricted: Tap-on Fees</u>	<u>Unrestricted: Other</u>	<u>Total</u>
Balances, January 1, 2012	\$ 584,715	\$ 120,000	\$ 105,816	\$ 2,812,598	\$ 9,607,220	\$ 13,230,349
2012 net change in unrestricted net assets					415,299	415,299
Transfers	45,744				(45,744)	-
Grants					993,229	993,229
Membership fees			5,050			5,050
Tap-on fees transferred from Advance tap-on fees				31,825		31,825
Balances, December 31, 2012	<u>630,459</u>	<u>120,000</u>	<u>110,866</u>	<u>2,844,423</u>	<u>10,970,004</u>	<u>14,675,752</u>
2013 net change in unrestricted net assets					496,481	496,481
Transfers	(28,007)				28,007	-
Grants					471,526	471,526
Membership fees			5,390			5,390
Tap-on fees				55,840		55,840
Balances, December 31, 2013	<u>\$ 602,452</u>	<u>\$ 120,000</u>	<u>\$ 116,256</u>	<u>\$ 2,900,263</u>	<u>\$ 11,966,018</u>	<u>\$ 15,704,989</u>

The accompanying notes are an integral part of these financial statements

Southeastern Water Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net income from operations	\$ 832,234	\$ 834,241
Adjustments to reconcile net income from operations to net cash provided by operating activities		
Depreciation	746,250	729,675
Bad Debts	38,649	40,657
(Increase) decrease in		
Inventory	(1,808)	(15,145)
Accounts receivable	13,321	(59,539)
Prepaid expenses	1,534	(530)
Increase (decrease) in		
Accounts payable and accrued liabilities	(295,919)	(59,051)
Advance tap-on fees	<u>-</u>	<u>(525)</u>
Net cash provided by operating activities	<u>1,334,261</u>	<u>1,469,783</u>
Cash flows from investing activities		
Interest income	7,877	7,340
Redemption of (investment in) certificates of deposit/money market account	(200,271)	(641,749)
Proceeds from sale of property	-	1,500
Cash payments for the purchase and construction of fixed assets	(315,405)	(1,140,945)
Interest expense capitalized into construction work in process	<u>(120,387)</u>	<u>(53,372)</u>
Net cash used by investing activities	<u>(628,186)</u>	<u>(1,827,226)</u>
Cash flows from financing activities		
Cash paid for interest expense	(429,294)	(387,533)
Proceeds from federal grants	471,526	916,608
Proceeds from other grants	-	76,621
Proceeds from tap on and membership fees	61,230	36,875
Proceeds from long-term debt	-	197,848
Principal payments on long-term debt	<u>(422,775)</u>	<u>(174,527)</u>
Net cash (used) provided by financing activities	<u>(319,313)</u>	<u>665,892</u>
Net increase (decrease) in cash and cash equivalents	386,762	308,449
Cash and cash equivalents, beginning of year	<u>1,146,368</u>	<u>837,919</u>
Cash and cash equivalents, end of year	<u>\$ 1,533,130</u>	<u>\$ 1,146,368</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	<u>\$ 549,681</u>	<u>\$ 440,905</u>

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

BRUCE ORWIN
P O BOX 716
SOMERSET KY 42502

BOOK 1264 PAGE 002

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USDA
Form RD 1927-1 KY
(Rev. 1-97)

Partion 3

REAL ESTATE MORTGAGE FOR KENTUCKY

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

residing in 147 EAST SOMERSET CHURCH RD., SOMERSET, KY 42403 PULASKI
County, Kentucky, whose post office
address is P.O. BOX 778, SOMERSET, KY 42502, 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>
11 FEB -2 MD 5	SEE EXHIBIT "A" ATTACHED		

(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. §2081.

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 "B" ATTACHED

BOOK 1264 PAGE 003

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 there in all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgage 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 382.363.

(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.

BOOK 1264 PAGE 004

(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 proscribed 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,

100 NAMI PLAZA, STE. J LONDON, KY 40741 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.

BOOK 1261, PAGE 005

Given under the hands and seals of Borrower this 2 day of FEBRUARY, 2011
* Joe Richards, I (SEAL)
_____ (SEAL)

STATE OF KENTUCKY }
COUNTY OF PULASKI }

Before me, D. BRUCE ORWIN, a Notary Public in and for
the County of PULASKI personally appeared JOE RICHARDS, I
PRESIDENT, SOUTH EASTERN WATER ASSOCIATION, INC. N.A., his wife,
who acknowledged that they executed the foregoing instrument on the 2nd
day of FEBRUARY, 2011, as their free act and deed.

WITNESS my hand and official seal this 2 day of FEBRUARY, 2011

(SEAL)
My commission expires: 12 APRIL 2012

[Signature]
Notary Public

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 ORWIN, ATTORNEY
(name),
P.O. BOX 716, SOMERSET, KY 42502
(address)
[Signature]
(Signature)

RECORDER'S SIGNATURE

STATE OF KENTUCKY }
COUNTY OF _____ }

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 1264 PAGE 006

EXHIBIT "A"

- (1) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2033, assuming notes totaling \$981,713.42;
- (2) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2029, assuming notes totaling \$557,413.09;
- (3) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2032, assuming notes totaling \$713,474.70
- (4) Assumption Agreement dated February 12, 1997, with a final maturity of October 17, 2041, assuming notes totaling \$365,411.33;
- (5) Promissory note dated September 14, 1995, to secure repayment of a note of \$136,000.00 with a final due date September 14, 2035,
- (6) Promissory note dated September 14, 1995, to secure repayment of a note of \$237,000.00 with a maturity date September 14, 2035,
- (7) Promissory note dated February 12, 1997, to secure repayment of a note of \$165,100.00 with a final repayment date February 12, 2037
- (8) Promissory note dated February 12, 1997, to secure repayment of a note of \$250,000.00 with a final repayment date February 12, 2037
- (9) Promissory note dated July 10, 2001, to secure repayment of a note of \$1,479,000.00 with a final repayment date of July 10, 2041;
- (10) Promissory note dated September 17, 2004, to secure repayment of a note of \$1,833,000.00 with a final repayment date of September 17, 2044;
- (11) Promissory note dated November 8, 2006, to secure repayment of a note of \$2,754,000.00 with a final maturity date of November 8, 2046,
- (12) Promissory Note dated February 2, 2011, to secure repayment of a note of \$3,995,000.00 with a final maturity date of February 2, 2051.

BOOK 1264 PAGE 007

EXHIBIT "B"

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

BOOK 1264 PAGE 008

South Eastern Water Association, Inc.

- SE-1 Deed Book 677, Page 082
- SE-2 Deed Book 780, Page 166
- SE-3 Deed Book 847, Page 551
- SE-4 Deed Book 847, Page 554
- SE-5 Deed Book 857, Page 027

South Eastern Water Association, Inc. was formed by consolidation of Nelson Valley Water Association, Inc. and Ellhu 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. Ellhu Tateville Water association, Inc. was formed by consolidation of Tateville Water Association, Inc. and Ellhu 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
 RALPH TROXTELL, CLERK OF PULASKI COUNTY, DO
 CERTIFY THAT THE FOREGOING INSTRUMENT WAS ON
 THE 2 DAY OF Feb 20 11 AT 10:59 AM, LODGED FOR
 RECORD, AND THAT IT HAS BEEN DULY RECORDED IN MY SAID
 OFFICE, TOGETHER WITH THIS AND THE CERTIFICATE THEREOF
 ENDORSED, GIVEN UNDER MY HAND THIS 2 DAY
 OF Feb 20 11 IN THE BOOK 1264 PAGE 8
 ATTEST: RALPH TROXTELL, CLERK
 BY [Signature] D.C.