ASSISTANCE AGREEMENT

by and between

THE KENTUCKY INFRASTRUCTURE AUTHORITY

and

SOUTH EASTERN WATER ASSOCIATION INC.

TRANSCRIPT OF PROCEEDINGS

Prepared by:

Dinsmore & Shohl LLP
101 South Fifth Street
Suite 2500
Louisville, Kentucky 40202

DISTRIBUTION LIST

Joseph Crawford
South Eastern Water Association Inc.
6615 Highway 914
Somerset, Kentucky 42501

Meg Link
James Nelson
Kentucky Infrastructure Authority
100 Airport Road, 3rd Floor
Frankfort, Kentucky 40601

Amber Vaughn
Water Infrastructure Branch
Energy and Environment Cabinet
300 Sower Boulevard
Frankfort, Kentucky 40601

Charles Lush, Jr.
U.S. Bank Trust Company, National Association
Corporate Trust Services
435 North Whittington Parkway
Louisville, Kentucky 40222

Mark Franklin
Dinsmore & Shohl LLP
101 South Fifth Street
Suite 2500
Louisville, Kentucky 40202

TRANSCRIPT INDEX

Re: Assistance Agreement dated as of May 1, 2026, by and between the Kentucky Infrastructure Authority and South Eastern Water Association Inc.

1. Assistance Agreement dated as of May 1, 2026, by and between the Kentucky Infrastructure Authority (the "Authority") and South Eastern Water Association Inc. (the "Borrower")

2. Resolution of the Board of Directors of the Borrower

3. Extract of Minutes of the Meeting of the Board of Directors of the Borrower adopting the Resolution

4. Extract of Minutes of the Authority authorizing the Assistance Agreement

5. Extract of Minutes of the Capital Projects and Bond Oversight Committee

6. Opinion of Counsel to the Borrower

7. General Closing Certificate of the Borrower

8. Commitment Letter of the Authority

9. PSC Order

KENTUCKY INFRASTRUCTURE AUTHORITY
ASSISTANCE AGREEMENT

FUND B

PROJECT NUMBER:	B26-002
BORROWER:	South Eastern Water Association Inc.
BORROWER'S ADDRESS:	6615 Highway 914 Somerset, Kentucky 42501
DATE OF ASSISTANCE AGREEMENT:	May 1, 2026

ASSISTANCE AGREEMENT

TABLE OF CONTENTS

Page

ASSISTANCE AGREEMENT

This ASSISTANCE AGREEMENT (this "Assistance Agreement") is made and entered into as of the date set forth on the cover page hereof, by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Borrower"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program, as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of "projects," as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize, and manage the resources of the Commonwealth of Kentucky (the "Commonwealth"), for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds in accordance with a General Trust Indenture dated as of March 1, 2010 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as the successor-in-interest to U.S. Bank Trust Company, National Association (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Borrower has determined that it is necessary and desirable to acquire, construct, and finance the Project, as hereinafter defined, and the Authority has determined that the Project is a "project" within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Borrower desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Borrower in making available the Loan in accordance with the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Borrower herein contained to levy, collect, enforce, and remit adequate Service Charges, as hereinafter defined, for the services provided by the Borrower's System, as hereinafter defined, and to apply the necessary portion of the Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

WHEREAS, the Authority and the Borrower have determined to enter into this Assistance Agreement in accordance with the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the acquisition, construction, and financing of the Project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS SET FORTH HEREIN, THE LOAN HEREBY EFFECTED, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER, AS FOLLOWS:

ARTICLE I
DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meanings as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that the definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Borrower and its Project.

"ACH Authorization Form" has the meaning provided in Section 3.2 hereof.

"ACH Debit Direct Payment Method" has the meaning provided in Section 3.2 hereof.

"Act" means Chapter 224A of the Kentucky Revised Statutes, as amended from time to time.

"Administrative Fee" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Loan Term Schedule.

"Amortization Commencement Date" means the date set forth on the Loan Term Schedule when the first payment of principal of and interest on the Loan is due under the Schedule of Payments.

"Assistance Agreement" means this agreement made and entered into by and between the Authority and the Borrower, as authorized by the Act, providing for the Authority to make a Loan to the Borrower, and for the Borrower to repay the Loan to the Authority in accordance with the terms and conditions established herein.

"Authority" means the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth, or such other designation as may be effected by future amendments to the Act.

"Authorizing Action" means the resolution or ordinance of the Borrower substantially in the form attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"Bond" or "Bonds" means any Bonds issued, authenticated, and delivered by the Authority, past or present, under the Indenture.

"Borrower" means the Governmental Agency identified on the cover page of this Assistance Agreement and in the Project Specifics.

"Business Day" means any day other than a Saturday, Sunday, or other legal holiday on which the general offices of the Commonwealth are closed.

"Cabinet" means the Energy and Environment Cabinet of the Commonwealth.

"Code" means the Internal Revenue Code of 1986, as amended, and includes the Regulations of the United States Department of the Treasury promulgated thereunder.

"Commonwealth" means the Commonwealth of Kentucky.

"Construction" means construction as defined in the Act.

"Debt Obligations" means the outstanding obligations of the Borrower outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from all or a portion of the Revenues of the System. For purposes of clarity, a statement of the Debt Obligations of the Borrower payable from all or a portion of the Revenues of the System as of the date of this Agreement has been provided by the Borrower to the Authority and is set forth in the Project Specifics.

"Default Rate" means the rate of interest per annum identified in the Loan Term Schedule that shall apply to the Loan for all purposes effective upon and including the date of an occurrence of an Event of Default hereunder and shall continue to apply to and including the date such Event of Default is fully remedied by the Borrower in accordance with the terms and conditions set forth hereunder.

"Effective Date" means the date set forth on the cover page of this Assistance Agreement.

"Eligible Project" means an infrastructure project as defined in the Act.

"Engineers" means the firm of consulting engineers employed by the Borrower in connection with the Project and identified in the Project Specifics.

"Governmental Agency" means any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate an Eligible Project, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, water associations, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another in accordance with any regional or area compact, or multi-municipal agreement), now or hereafter established in accordance with the laws of the Commonwealth having and possessing such described powers.

"Indebtedness" means and includes, as of any date, all obligations that would be included in determining total liabilities as shown on the financial statements of the Borrower pertaining to the System, including all indebtedness, for the payment of borrowed money and other similar obligations for the payment of the purchase price of property or any other assets purchased by the Borrower, by excluding any reserves for estimated obligations, deferred income, and offsets to asset values, all as recorded under and in accordance with generally accepted accounting standards.

"Indenture" means the General Trust Indenture dated as of March 1, 2010, by and between the Authority and the Trustee, as amended and supplemented by the parties thereto from time to time in accordance with its terms.

"Loan" means the loan effected under this Assistance Agreement from the Authority to the Borrower in the principal amount set forth in the Loan Term Schedule, for the purpose of defraying the costs incidental to the Construction of the Project.

"Loan Payment Date" means the dates principal of, or interest on, or Administrative Fees for the Loan are due as set forth in the Loan Term Schedule.

"Loan Rate" means the rate per annum of interest identified in the Loan Term Schedule that shall apply to the Loan absent the occurrence of an Event of Default hereunder.

"Loan Term Schedule" means the payment information and terms of the Loan identified and set forth in Exhibit F attached hereto and includes any amendments or supplements thereto.

"Person" means any individual, firm, partnership, association, limited liability company, corporation, or Governmental Agency.

"Program" means the program authorized by KRS 224A.112 and the Indenture as the "infrastructure revolving fund" for financing Eligible Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"Project" means the Eligible Project described in the Project Specifics, which constitutes an Eligible Project under the Act.

"Project Specifics" means those specific details of the Project identified in Exhibit A attached hereto, all of which are incorporated by reference into this Assistance Agreement.

"Requisition for Funds" means the Program form provided by the Authority to the Borrower to be utilized by the Borrower in obtaining disbursements of the Loan from the Authority as Construction of the Project progresses.

"Revenues" means the totality of (i) service rates, rentals, and charges (including all Service Charges), and all other income of any and all types and varieties imposed, enforced, and collected by the Borrower for any services, products, or items rendered or provided by the Borrower in connection with the System; (ii) any investment income; and (iii) any other income received by the Borrower from any federal or state governmental agency as representing income or operating subsidies of the System, as distinguished from any capital grants, to the extent such income is not otherwise required to be treated and applied.

"Schedule of Payments" means the debt service schedule of the Loan as set forth in the Loan Term Schedule.

"Schedule of Service Charges" means those general charges to be imposed by the Borrower for services provided by the System, as set forth in Exhibit C hereto, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority before the disbursement of any portion of the Loan hereunder.

"SEC Rule" has the meaning provided in Section 6.11 hereof.

"Service Charges" means any monthly, quarterly, semi-annual, or annual charges, surcharges, or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, with respect to the System which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement; and for the purposes of this Assistance Agreement any such Service Charge shall be no less than those set forth in the Schedule of Service Charges. For purposes of clarity, Services Charges comprise a portion of the Revenues of the System.

"System" means the utility system owned and operated by the Borrower of which the Project shall become a part.

"Trustee" means U.S. Bank Trust Company, National Association, as the successor-in-interest to U.S. Bank, National Association, and its successors or assigns.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Borrower as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions, and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other Person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body or any other entity, except such approvals that have been obtained.

(D) The authorization, execution, and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2 Representations and Warranties of the Borrower. The Borrower hereby represents and warrants for the benefit of the Authority as follows:

(A) The Borrower is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement, and consummate the transactions contemplated hereby.

(B) The negotiation, execution, and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Borrower.

(C) This Assistance Agreement has been duly executed and delivered by the Borrower and is a valid and binding obligation of the Borrower enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency, or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Borrower, there is no controversy or litigation of any nature pending or threatened in any court or before any board, tribunal, or administrative body to challenge in any manner the authority of the Borrower or its governing body to make payments under this Assistance Agreement or to acquire or construct the Project; or to challenge in any manner the authority of the Borrower or its governing body to take any of the actions that have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project; or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Borrower of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor; or in any way questioning the due existence or powers of the Borrower, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, or an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation, or other document or law affecting the Borrower or its governing body.

(F) In accordance with the Authorizing Action of the governing body, the Borrower has approved and authorized the execution and delivery of this Assistance Agreement. The Authorizing Action was duly enacted or adopted at a duly called meeting or meetings held in accordance with the law of the governing body of the Borrower at which a quorum was present and acting throughout; is in full force and effect; and has not been superseded, altered, amended, or repealed as of the date hereof.

(G) All actions taken by the Borrower in connection with this Assistance Agreement, the Loan, and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes.

(H) The Borrower has obtained all licenses, permits, and other governmental approvals (including all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate, and maintain the System and the Project, to charge and collect the Service Charges, and to enter into this Assistance Agreement. The Borrower is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project and has full right, power, and authority to perform the acts required of the Borrower by this Assistance Agreement.

(I) Legal counsel to the Borrower has duly executed and delivered the opinion of legal counsel substantially in the form set forth as Exhibit E attached hereto.

(J) The Borrower is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition, and Construction of the Project.

ARTICLE III
AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

<u>Section 3.1</u> <u>Determination of Eligibility</u>. In accordance with the terms of the Act and the Indenture, the Authority has determined that the Borrower's Project is an Eligible Project under the Act and the Borrower is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

<u>Section 3.2</u> <u>Principal Amount of Loan Established; Loan Payments; Disbursement of Funds</u>. The principal amount of the Loan shall be the Loan Amount as identified in the Loan Term Schedule, subject to such adjustments as may be established in any amendment or supplement to the Loan Term Schedule. Principal payments shall be made in the amounts and on the Loan Payment Dates established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the repayment term set forth in the Schedule of Payments, commencing on the Amortization Commencement Date.

The outstanding principal balance of the Loan shall bear interest at the Loan Rate as set forth in the Loan Term Schedule. Beginning on the Amortization Commencement Date, principal and interest on the Loan shall be payable in the amounts and on the Loan Payment Dates set forth in the Schedule of Payments.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Borrower of a Requisition for Funds in substantially the same form provided by the Authority from time to time. Except as otherwise provided upon an Event of Default, each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement.

The Borrower shall pay interest on the unpaid balance of disbursements at the Loan Rate payable on each Loan Payment Date before the Amortization Commencement Date.

Notwithstanding any other provision herein, the Loan shall bear interest at the Default Rate from and including the date of an occurrence of an Event of Default to and including the date the Borrower fully remedies such Event of Default. The Default Rate shall apply to all principal unpaid hereunder, together with all unpaid interest accrued but unpaid to the date of such Event of Default, all due but unpaid fees set out on the Loan Term Schedule, and all reasonable costs and expenses of the Authority incurred as a result of such Event of default in accordance with Section 8.2 hereof from and including the date of incurrence thereof to and including the date of reimbursement therefor by the Borrower.

Notwithstanding any other provision herein, upon an Event of Default, the Authority may, in its sole discretion, direct the Borrower to make all Loan payments on the first day of each calendar month, in amounts calculated and determined by the Authority in accordance with this Assistance Agreement, during the continuation of such Event of Default

Interest on the Loan shall be calculated on the actual number of days and an assumed 360-day year.

Payments of principal and interest on the Loan shall be payable in lawful money of the United States of America at the principal office of the Authority or the Trustee, as designated by the Authority. If so requested by the Authority, Loan payments hereunder shall be made by the Borrower in accordance with the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") as provided by the Authority or the Trustee to the Borrower, which ACH Authorization Form shall be completed, signed, and forwarded to the Authority or the Trustee before the Borrower shall receive any disbursement of the proceeds of the Loan from the Authority.

Section 3.3 Borrower's Right to Prepay Loan. The Borrower shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five Business Days in advance of the prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue Bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Borrower (i) of the Authority's intention to proceed with the authorization of such Bonds; (ii) of the limitation on prepayments applicable to the Bonds as a result of the issuance of such Bonds by the Authority; and (iii) that the Borrower has thirty days from its receipt of the notice to exercise its option to prepay the Loan. Upon the expiration of the thirty-day period, the Borrower's right to prepay the Loan shall be limited to the terms described in the notice.

Section 3.4 Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Borrower with the covenants and conditions set forth in this Assistance Agreement, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Borrower payable from the Revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics. Notwithstanding the foregoing, (i) the source of payment for the Loan shall be on a parity with the security interest and source of payment for any Debt Obligations of the Borrower payable from the Revenues of the System outstanding at the time this Assistance Agreement is executed that are not identified in the Project Specifics, unless otherwise consented to in writing by an authorized representative of the Authority; (ii) the source of payment for the Loan shall be on a parity with the security interest and source of payment for any Debt Obligations of the Borrower issued after the Effective Date of this Assistance Agreement; and (iii) the Authority shall receive notice of the additional incurrence of Indebtedness by the Borrower in accordance with Section 5.6(C) hereof.

ARTICLE IV
CONDITIONS PRECEDENT TO DISBURSEMENT
REQUISITION FOR FUNDS

Section 4.1 Covenants of the Borrower and the Conditions of the Loan. By the execution of this Assistance Agreement, the Borrower agrees that before any requests for the disbursement of all or a portion of the Loan made hereunder, the Borrower shall supply the Authority, appropriate documentation, satisfactory to the Authority in its sole discretion indicating the following:

(A) That the Authority and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Borrower, to enter upon the Project and its site during Construction of the Project and to examine and inspect same, and the Borrower will assure that any contractor or contractors retained or utilized by the Borrower for the Project will provide facilities for such access and inspection.

(B) All real estate and interests in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Borrower and constitute a part of the System.

(C) If the Borrower is required to provide additional financing for the Project from sources other than the Authority (as described in the Project Specifics), the Authority shall have the right to receive such reasonable proof as it may require of the ability of the Borrower to finance the costs of Construction of the Project over and above the Loan, before the disbursement by the Authority of any portion of the Loan.

(D) The Borrower shall do all things necessary to acquire all proposed and necessary sites, easements, and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design, and specifications prepared for the Borrower by the Engineers.

(E) Actual Construction and installation incident to the Project shall be performed by either the lump sum (fixed price) or unit price contract method and adequate legal methods of obtaining public, competitive bidding will be employed before the awarding of the Construction contract for the Project in accordance with Kentucky law.

(F) Unless Construction of the Project has already been initiated as of the Effective Date, in accordance with due compliance with applicable state law and regulations, the Project will not be advertised or placed on the market for Construction bidding by the Borrower until the final plans, designs, and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Borrower and furnished to the Authority.

(G) The Construction contract or contracts shall require the contractor to comply with all provisions of federal and Kentucky law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(H) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared before the institution of Construction in connection with each Construction contract, or, if Construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project and same shall be maintained monthly thereafter to indicate the actual Construction progress of the Project.

(I) Before the award of the Construction contract and before the commencement of Construction, the Borrower will arrange and conduct a conference regarding the Project; the conference shall include representatives of the Authority, the Borrower, and any other participating federal or state agency, the Engineers, and all Construction contractors. Such conference shall be held in accordance with guidelines established by the Authority. A written brief of the conference summarizing the Construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the Construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each party involved, and all Construction contractors and Engineers. Provided, however, that if Construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived by the Authority in its sole discretion.

(J) All Construction contracts will be prepared so that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Borrower may be readily itemized.

(K) The Borrower shall promptly submit any change or changes in a Construction contract to the Authority and any required state or federal agencies.

(L) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules, and regulations.

(M) The Borrower will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans, specifications, and designs or amendments thereto, prepared by the Engineers for the Borrower and approved by state and federal agencies.

(N) If requested, the Borrower will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority in the financing of the Project.

(O) Except as otherwise provided in this Assistance Agreement, the Borrower shall have the sole and exclusive charge of all details of the Construction.

(P) The Borrower shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Borrower shall permit the duly authorized representatives of the Authority, and any Kentucky or federal agencies to inspect all books, documents, papers, and records relating to the Project at any and all reasonable times for the purpose of audit and examination. The Borrower shall submit to the Authority such documents and information as such may reasonably require in connection with the administration of any federal or state assistance.

(Q) The Borrower shall require that each Construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to 100% of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of each such contract.

(R) The Borrower shall require that each of its contractors and all subcontractors maintain during the life of the Construction contract, worker's compensation insurance, public liability insurance, property damage insurance, and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project is completed and accepted by the Borrower, the contractor shall maintain builders risk insurance (fire and extended coverage) on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Borrower, the prime contractor, and all subcontractors, as their interests may appear.

(S) The Borrower shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and Construction of the Project and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications, and designs prepared by the Engineers. The resident engineer shall certify to the Authority, any involved state or federal agencies, and the Borrower at the completion of Construction that Construction is in accordance with the approved plans, specifications, and designs and approved amendments thereto.

(T) The Borrower shall demonstrate to the satisfaction of the Authority the legal capability of the Borrower to enact, adopt, levy, charge, collect, enforce, and remit to the Authority the Service Charges of the Borrower described in the Schedule of Service Charges attached hereto as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the submission of the initial Requisition for Funds.

<u>Section 4.2</u> <u>Disbursements of Loan Funds; Requisition for Funds</u>. The Borrower shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a

Requisition for funds before the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form provided by the Authority to the Borrower from time to time, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting.

(B) A full and complete accounting of any costs of the Project paid by the Borrower from its own funds with the approval of the Authority and excluded from any previous accounting for which the Borrower seeks reimbursement.

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant, or similar agreement or paid from the Borrower's own funds for which the Borrower does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The contractor's estimate of work performed during the preceding month in accordance with Construction contracts for the Project and payment due thereunder, together with the Engineer and Borrower's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds and such additional documentation as it may require, the Authority may direct the Trustee to remit the amount requested to the Borrower as a draw upon the Loan. If directed by the Authority, the Borrower shall, establish with the Trustee, an electric fund transfer system, which may be an ACH Payment Method.

The Authority may disburse proceeds of the Loan directly to the Borrower. The Borrower, if so directed by the Authority, shall establish itself as a vendor under the Commonwealth's eMars system.

ARTICLE V
CERTAIN COVENANTS OF THE BORROWER; PLEDGE OF REVENUES; PAYMENTS TO BE MADE BY THE BORROWER TO THE AUTHORITY

Section 5.1 Imposition of Service Charges; Pledge of Revenues. The Borrower hereby irrevocably covenants and agrees to comply with all of the terms, conditions, and requirements of this Assistance Agreement, in accordance with which the Loan is to be made by the Authority to the Borrower as specified herein, in the Act, and the Indenture. The Borrower hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all Persons to whom or which services are provided by the System; such Service Charges to be no less than as set forth on Exhibit C attached hereto.

There are hereby pledged for the payment of the principal of and interest on the Loan, in accordance with the terms and the provisions hereof, the Authorizing Action, and the Act, (i) the

Revenues; and (ii) any disbursements made under the Loan in accordance with Section 4.2 hereof until expended by the Borrower for the Construction of the Project.

Section 5.2 Borrower's Obligation to Repay Loan. The obligation of the Borrower to repay the Loan from the Revenues shall not be revocable, and if services supplied by the Project shall cease, or be suspended for any reason, the Borrower shall continue to be obligated to repay the Loan from the Service Charges.

Section 5.3 Covenant to Adjust Service Charges. If, for any reason, the Schedule of Service Charges shall be insufficient to (i) provide for the required coverage of all debt service payments on obligations payable from the Revenues of the System as set forth in Section 5.4 hereof; (ii) provide for the operation of the System as required under this Assistance Agreement; and (iii) make the required deposits to the Maintenance and Replacement Reserve, the Borrower hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and Kentucky, immediately adjust and increase such Schedule of Service Charges or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities so as to provide funds sufficient to pay the debt service requirements set forth in the Schedule of Payments and the Authority's Administrative Fee, to provide for the operation of the System as required under this Assistance Agreement, and to make required deposits to the Maintenance and Replacement Reserve.

Section 5.4 Adequacy of Service Charges. The Borrower hereby covenants during the term of this Assistance Agreement to impose Service Charges in each of the Borrower's fiscal years adequate to pay at least the sum of the following for each such fiscal year: (i) 110% of the debt service and Administrative Fees coming due during each such fiscal year on this Loan and all other Debt Obligations and other indebtedness secured and payable from the Revenues of the System, in each case computed as of the beginning of each such fiscal year (except to the extent the Borrower has by binding ordinance or resolution committed reserves to the payment of any such debt service); (ii) the amounts required to provide for the operation of the System during each such fiscal year as required by this Assistance Agreement; and (iii) the amounts to be deposited hereunder to the Maintenance and Replacement Reserve for each such fiscal year. The Borrower hereby further covenants that the Service Charges identified on Exhibit C attached hereto are sufficient to permit the Borrower to achieve the foregoing debt service coverage ratio for the fiscal year of the Borrower during which this Assistance Agreement will become effective.

Section 5.5 Covenant to Establish Maintenance and Replacement Reserve. The Borrower shall establish a special account identified as a "Maintenance and Replacement Reserve". The Borrower shall deposit funds into the Maintenance and Replacement Reserve on the dates and in the amounts set forth in the Project Specifics. The Borrower may expend funds held within the Maintenance and Replacement Reserve to pay extraordinary maintenance expenses related to the System or to pay unbudgeted costs of replacing worn or obsolete portions of the System, subject to the prior written approval of the Authority.

Section 5.6 Reports; Inspection. The Borrower hereby irrevocably covenants and agrees with the Authority:

(A) That the Borrower will furnish to the Authority and the Cabinet not less than annually reports of the operations and Revenues of the System and will permit authorized agents of the Authority to inspect all records, accounts, and data of the System at all reasonable times.

(B) That the Borrower will collect, account for, and promptly remit to the Authority those specific revenues, funds, income, and proceeds derived from the Revenues of the System incident to this Assistance Agreement.

(C) That the Borrower will notify the Authority in writing of its intention to incur Indebtedness payable from the Revenues of the System not less than thirty days before the execution of any agreement obligating the Borrower to incur any such Indebtedness.

<u>Section 5.7</u> <u>Segregation of Funds</u>. The Borrower shall at all times account for the Revenues of the System and distinguish same from all other revenues, monies, and funds of the Borrower, if any.

<u>Section 5.8</u> <u>Mandatory Sewer Connection</u>. If the Project consists of sanitary sewer facilities, the Borrower hereby irrevocably covenants and agrees with the Authority that it will, to the maximum extent permitted by Kentucky law, and by means of ordinance, resolution, or other appropriate legislative order or action, mandatorily require the connection to and use of, the sanitary sewers constituting the System by all persons owning, renting, or occupying premises that generate pollutants where such sanitary sewers are reasonably available to such premises, and to exhaust, at the expense of the Borrower, all remedies for the collection of Service Charges, including, either directly or indirectly, in accordance with authority granted by Sections 96.930 to 96.943, inclusive, of the Kentucky Revised Statutes, and the Act, causing termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and judicial sale in respect of improvement benefit assessments which are delinquent.

<u>Section 5.9</u> <u>Termination of Water Services to Delinquent Users</u>. If the Project consists of water facilities the Borrower covenants and agrees that it shall, in accordance with applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

ARTICLE VI
OTHER COVENANTS OF THE BORROWER

<u>Section 6.1</u> <u>Further Assurance</u>. At any time and all times the Borrower shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, assets, and Revenues herein pledged or assigned, or intended so to be, or which the Borrower may hereafter become bound to pledge or assign.

<u>Section 6.2</u> <u>Completion of Project</u>. The Borrower hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs, and specifications prepared by the Engineers for the Borrower.

Section 6.3 Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Borrower stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery, and equipment used in such Construction have been paid for; (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped, and installed and all costs and expenses incurred in connection therewith have been paid, and (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped, and installed to the Borrower's satisfaction.

Section 6.4 Commitment to Operate. The Borrower hereby covenants and agrees to commence operation of the Project immediately on completion of Construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5 Continue to Operate. The Borrower hereby covenants and agrees to continuously operate and maintain the Project and the System in accordance with applicable provisions of federal and Kentucky law and to maintain adequate records relating to the Project's operation. The Borrower shall make all such records available to the Authority at all reasonable times upon the Authority's request.

Section 6.6 Tax Covenant. If the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Borrower shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority to accomplish the foregoing. The Borrower shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business; (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business; (iii) any management agreement for the operation of the System; or (iv) any federal guarantee of its obligations hereunder, all without the prior written consent of the Authority. The Borrower will not acquire or pledge any obligations that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7 Accounts and Reports. The Borrower shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8 Audit Requirements. Within 180 days after the end of each fiscal year of the Borrower, the Borrower shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, including disclosure of the Maintenance and Replacement Reserve, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Borrower shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9 General Compliance with all Duties. The Borrower shall faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of the Act and this Assistance Agreement and any other Debt Obligations.

Section 6.10 System Not to Be Disposed of. The Borrower covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of, any of the facilities of the System or any part thereof (except that the Borrower may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11 Continuing Disclosure Obligations. The Borrower covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides 10% or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Borrower with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Borrower shall provide to the Authority such information as may be required by the SEC Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Borrower further understands and agrees that the Authority shall act as the Borrower's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Borrower to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section by an action in mandamus, for specific performance, or similar remedy to compel performance.

Section 6.12 General. The Borrower shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Borrower under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G attached hereto.

ARTICLE VII
MAINTENANCE, OPERATION, INSURANCE, AND CONDEMNATION

Section 7.1 Maintain the System. The Borrower agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at the

Borrower's own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2 Additions and Improvements. The Borrower shall have the privilege of making additions, modifications, and improvements to the sites of the Project, and to the Project itself from time to time provided that the additions, modifications, and improvements do not impair the operation or objectives of the Project. The Borrower shall pay the cost of such additions, modifications, and improvements and the same shall be the property of the Borrower and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Borrower from entering into one or more supplementary Assistance Agreements providing for a reallocation, an increase in the Loan, or an additional Loan or Loans in respect of additional Projects undertaken by the Borrower.

Section 7.3 Compliance with State and Federal Standards. The Borrower shall operate and maintain the System at all times to comply with the water quality standards, if any, established by any state or federal agency. The Borrower shall retain a qualified operating personnel properly certified by the Commonwealth to operate the System during the entire term of this Assistance Agreement.

Section 7.4 Access to Records. The Borrower shall permit the Authority and any state or federal agency and their respective agents to have access to the records of the Borrower pertaining to the operation and maintenance of the System at any reasonable time following completion of Construction of the Project, and commencement of operations thereof.

Section 7.5 Covenant to Insure – Casualty. The Borrower agrees to insure the System facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6 Authority as Named Insured. For so long as any amounts are due and payable under this Assistance Agreement, any insurance policy issued in accordance with Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Borrower, and to the Authority, as their interests may appear.

Section 7.7 Covenant to Insure – Liability. The Borrower agrees that it will carry public liability insurance with reference to the System with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8 Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Borrower shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9 Application of Casualty Insurance Proceeds. If, before the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm, or other casualty, there shall be no abatement or reduction in the amount payable by the Borrower in accordance with the terms of this Assistance Agreement and the Borrower will (i) promptly repair, rebuild, or restore the Project damaged or destroyed; and (ii) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional monies of the Borrower necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Borrower and shall be promptly applied as herein provided.

Section 7.10 Eminent Domain. If title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Borrower to the Authority in accordance with the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Borrower in a separate condemnation award account and shall be applied by the Borrower in either or both of the following ways, as shall be determined by the Borrower in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as before the exercise of the power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by Construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section, shall be paid to the Borrower upon delivery to the Authority of a certificate signed by an authorized officer of the Borrower to the effect that the Borrower has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of the certificate by an authorized officer of the Authority. The Borrower shall not voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the prior written consent of the Authority.

Section 7.11 Flood Insurance. For so long as any amounts are due and payable under this Assistance Agreement, all structures located in flood prone areas shall be covered by flood insurance carried by the Borrower for an amount equal to the replacement cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Borrower to pay any payments at the times specified herein.

(B) Failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty days after written notice specifying such failure and requesting that it be remedied will have been given to the Borrower by the Authority unless the Authority agrees in writing to an extension of such time before its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or Kentucky law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt, or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which remain undismissed for sixty days, or the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due.

(D) A default by the Borrower under the provisions of any agreements relating to its Debt Obligations.

Section 8.2 Remedies on Default. Whenever any Event of Default referred to in Section 8.1 hereof has occurred and is continuing (other than an event of default arising under Section 6.12 hereof), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare the principal of and interest on the Loan, and all other payments due hereunder, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Borrower to comply with the provisions of Section 6.11 hereof shall be those remedies specifically set forth in Section 6.11 hereof.

Section 8.3 Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5 Consent to Powers of the Authority under the Act. The Borrower hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights, and privileges in respect of the Project upon the occurrence of an Event of Default, and the Borrower hereby covenants and agrees that if the Authority should in the future have recourse to such rights and powers, the Borrower shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay, or render nugatory such actions of the Authority in the due and prompt implementation or enforcement of this Assistance Agreement.

Section 8.6 Waivers. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7 Agreement to Pay Attorneys' Fees and Expenses. If either party hereto defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

ARTICLE IX
MISCELLANEOUS PROVISIONS

Section 9.1 Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing, or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2 Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3 Effective Date. This Assistance Agreement shall become effective on the Effective Date and shall continue in full force and effect until the date the obligations of the Borrower pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4 Binding Effect. This Assistance Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5 Severability. If any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6 Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Borrower, but none of the rights, duties, or obligations of the Borrower under this Assistance Agreement shall be assignable by the Borrower without the prior written consent of the Authority.

Section 9.7 Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.8 Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.9 Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

Section 9.10 Interpretation. All accounting terms not otherwise defined in this Assistance Agreement have the meanings assigned to them in accordance with generally accepted accounting principles then in effect. Words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa. Unless the context shall otherwise indicate, the word "or" is used in the inclusive sense of "or" and the word "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term. Headings of articles and sections herein are solely for the convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. All references in this instrument to designated "Articles," "Sections," "Exhibits" and other subdivisions or attachments are to the designated Articles, Sections, Exhibits and other subdivisions and attachments of this instrument as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Assistance Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision or attachment unless the context indicates otherwise.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the Effective Date.

KENTUCKY INFRASTRUCTURE AUTHORITY

By: Matt Sawyers
Chairman

ATTEST:

By: Margaret F. Link
Secretary of
Kentucky Infrastructure Authority

BORROWER:
South Eastern Water Association Inc.

By: Joseph Crawford
President

ATTEST:

By: Mark Davis
Secretary of
Borrower

APPROVED:

By: Holly M. Johnson
Secretary/Finance and Administration
Cabinet of the Commonwealth of Kentucky

EXAMINED:

By: Matt Stephens
Legal Counsel to the
Kentucky Infrastructure Authority

APPROVED AS TO FORM AND LEGALITY

By: Barbara Dickens
Approved, Finance and
Administration Cabinet

EXHIBIT A
TO
ASSISTANCE AGREEMENT

PROJECT SPECIFICS

* * * * *

(See attachment)

EXHIBIT A
SOUTHEASTERN WATER ASSOCIATION
PROJECT SPECIFICS
B26-002

GOVERNMENTAL AGENCY:

Name: Southeastern Water Association
6615 KY 941
Somerset, KY 42501

Contact Person: Morris Vaughn
Manager

SYSTEM: Drinking Water

PROJECT:
The Southeastern Water Association is requesting a Fund B loan in the amount of $617,823. This loan will be used in conjunction with nearly $840,000 in combined Cleaner Water Program grants and local funds to fund the 2023 Various Waterline Upgrades project. This project will replace existing undersized waterlines in service areas that are struggling to keep up with customer demand. The project consists of the replacement of existing 6" waterline along US 27 and Heather Way with a combined 8,500 linear feet of 8" waterline. If funds remain following project completion, the Association will replace undersized waterline along KY 769 with 800 LF of 8" waterline and install 2,800 LF of 4" waterline extension along Mayfield School Road, 300 LF of 4" waterline extension along Mark Welborn Road, and 2,600 LF of 3" waterline extension along Broyles Road.

PROJECT BUDGET:

	Total
Engineering Fees - Design	86,000
Engineering Fees - Inspection	84,600
Construction	1,193,405
Contingency	91,923
Total	**$ 1,455,928**

FUNDING SOURCES:

	Amount	%
Fund B Loan	$ 617,823	42%
22CWW362	457,823	31%
Local Funds	380,282	26%
Total	**$ 1,455,928**	**100%**

KIA DEBT SERVICE:

Construction Loan	$	617,823
Less: Principal Forgiveness		0
Amortized Loan Amount	$	617,823
Interest Rate		1.75%
Loan Term (Years)		20
Estimated Annual Debt Service	$	36,745
Administrative Fee (0.20%)		1,236
Total Estimated Annual Debt Service	**$**	**37,981**

AMORTIZATION SCHEDULE OF PAYMENTS: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 06/01/26).

Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of last draw of funds (estimated 12/01/26). All interest and principal repayments shall be made by Automated Clearing House "ACH" transfers.

REPLACEMENT AND MAINTENANCE RESERVE ACCOUNT:	$	1,500	ANNUAL AMOUNT
	$	30,000	TOTAL AMOUNT

The annual maintenance replacement cost is 5% ($30,000) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually ($1,500) each December 1 over 20 years and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.20%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	Outstanding	Maturity
KRWFC Series 2015 C	$ 1,700,000	2041
RD Loan 91-26	3,094,917	2051
RD Loan 91-24	2,062,611	2046
RD Loan 91-22	1,283,290	2044
RD Loan 91-28	1,983,718	2060
RD Loan 91-30	443,640	2060
RD Loan 91-32	504,328	2064
Total	**$ 11,072,504**	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	$1,000,000
Death or Personal Injury (per occurrence)	$1,000,000
Property Damage on System	$1,000,000

EXHIBIT B
TO
ASSISTANCE AGREEMENT

RESERVED

EXHIBIT C
TO
ASSISTANCE AGREEMENT

SCHEDULE OF SERVICE CHARGES

* * * * *

New Meter Sets — $1,665.00

Membership for first time customers — $10.00

Service Charge for new service — $16.80

Reconnection Fee when shut off for non-payment — $16.80

Deposit — $115.00

1 Inch Meter

First 5,000 gallons	$65.86 Minimum Bill
All Over 5,000 gallons	$ 0.01244 per gallon

1 1/2 Inch Meter

First 10,000 gallons	$128.06 Minimum Bill
All Over 10,000 gallons	$ 0.01244 per gallon

2 Inch Meter

First 20,000 gallons	$ 252.50 Minimum Bill
All Over 20,000 gallons	$ 0.01244 per gallon

3 Inch Meter

First 30,000 gallons	$ 376.93Minimum Bill
All Over 30,000	$ 0.01244 per gallon

4 Inch Meter

First 50,000 gallons	$ 625.79 Minimum Bill
All Over 50,000 gallons	$ 0.01244 per gallon

6 Inch Meter

First 100,000 gallons	$1247.94 Minimum Bill
All Over 100,000 gallons	$ 0.01244 per gallon

EXHIBIT D
TO
ASSISTANCE AGREEMENT

FORM OF AUTHORIZING ACTION

* * * * *

(See attachment)

RESOLUTION

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE SOUTH EASTERN WATER ASSOCIATION INC. AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE UP TO $617,823 OF LOAN FUNDS FOR PROJECT NUMBER B26-002.

WHEREAS, the Board of Directors (the "Governing Authority") of the South Eastern Water Association Inc. (the "Borrower") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements (the "Project") to the Borrower's wastewater system (the "System"); and

WHEREAS, the Borrower has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

WHEREAS, in order to obtain such monies, the Borrower is required to enter into an Assistance Agreement with the Authority (the "Assistance Agreement");

NOW, THEREFORE, IT IS RESOLVED by the South Eastern Water Association Inc. as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Borrower and the Authority regarding Project Number B26-002 substantially in the form on file with the Borrower for the purpose of providing the necessary financing to the Borrower for the Project.

SECTION 2. That the President and the Secretary of the Borrower be and hereby are authorized, directed, and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Borrower to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on ________________________.

____
President

Attest:

____
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the South Eastern Water Association Inc. (the "Borrower"); that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of the Borrower at a meeting duly held on ____________________, 2026; that the official action appears as a matter of public record in the official records or journal of the governing authority; that the meeting was held in accordance with all applicable requirements of Kentucky law, including Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes; that a quorum was present at the meeting; that the official action has not been modified, amended, revoked, or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____________________, 2026.

____
Secretary

EXHIBIT E
TO
ASSISTANCE AGREEMENT

FORM OF LEGAL OPINION

* * * * *

(See attachment)

[LETTERHEAD OF COUNSEL TO BORROWER]

May 1, 2026

Kentucky Infrastructure Authority
100 Airport Road, Third Floor
Frankfort, Kentucky

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and South Eastern Water Association Inc., regarding Project Number B26-002

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the South Eastern Water Association Inc. (the "Borrower"). I am familiar with the organization and existence of the Borrower and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the wastewater treatment works project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Borrower (the "Assistance Agreement") is being authorized, executed, and delivered. Capitalized but undefined terms utilized herein shall have the meanings provided in the Assistance Agreement.

I have reviewed the form of Assistance Agreement by and between the Authority and the Borrower, the legislation of the governing authority authorizing the execution and delivery of the Assistance Agreement and the plans, designs, and specifications prepared by the Engineers for the Borrower with respect to the Project.

Based upon my review I am of the opinion that:

1. The Borrower is a duly organized and existing non-profit corporation of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2. The Assistance Agreement, once executed and delivered by the Borrower, is a valid and binding obligation of the Borrower enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency, or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3. The Borrower has all necessary power and authority (i) to enter into, perform, and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the Construction of the Project.

4. The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Borrower.

5. The execution and delivery of the Assistance Agreement and the performance by the Borrower of its obligations thereunder does not and will not conflict with, violate, or constitute a default under any court or administrative order, decree, or ruling, or any law, statute, ordinance, or regulation, or any agreement, indenture, mortgage, lease, note, or other obligation or instrument, binding upon the Borrower, or any of its properties or assets. The Borrower has obtained each and every authorization, consent, permit, approval, or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency, or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery, or performance by the Borrower of the Assistance Agreement and the imposition of the Service Charges.

6. To the best of my knowledge after due inquiry there is no action, suit, proceedings, or investigation at law or in equity before any court, public board or body pending or threatened against, affecting, or questioning (i) the valid existence of the Borrower; (ii) the right or title of the members and officers of the Borrower to their respective positions; (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor; (iv) the Construction of the Project; (v) the validity or enforceability of the Service Charges; or (vi) that would have a material adverse impact on the ability of the Borrower to perform its obligations under the Assistance Agreement.

7. None of the proceedings or authority heretofore had or taken by the Borrower for the authorization, execution, or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8. To the best of my knowledge, the Borrower has fully complied with all federal and state labor and procurement laws in connection with the acquisition and Construction of the Project.

9. All proceedings and actions of the Borrower with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F
TO
ASSISTANCE AGREEMENT

LOAN TERM SCHEDULE

* * * * *

The final Loan Term Schedule will be provided by the Authority to the Borrower upon completion of the Project and will be automatically incorporated into this Assistance Agreement by reference. Each of the Authority and the Borrower agree to include a copy of the final Loan Term Schedule with their copies of this Assistance Agreement. The factors to be utilized by the Authority in the calculation of the final Loan Term Schedule will be as follows:

Principal Amount of Loan:	Up to $617,823
Loan Interest Rate	1.75%
Default Interest Rate:	8.00%
Authority's Administrative Fee:	0.20%
Loan Payment Dates:	June 1 and December 1
Estimated Amortization Commencement Date:	December 1, 2026
Repayment Term:	20 Years

It is understood and agreed by the parties to this Assistance Agreement that this Term Loan Schedule (Exhibit F) is an integral part of the Assistance Agreement between the Borrower and the Authority. This Term Loan Schedule may be amended, supplemented, or modified by the mutual agreement of the Borrower and the Authority provided that such amendment, supplement, or modification shall be in writing and executed by the respective duly authorized officers of the Borrower and the Authority. Upon the execution and delivery of any amended, supplemented, or modified Term Loan Schedule, the Assistance Agreement and the Term Loan Schedule shall be, and be deemed to be, amended, supplemented, and modified in accordance therewith, and the respective rights, duties, and obligations under the Assistance Agreement of the Borrower and the Authority shall thereafter be determined, exercised, and enforced under the Assistance Agreement subject in all respects to such amendments, supplements, and modifications.

KENTUCKY INFRASTRUCTURE AUTHORITY
ANTICIPATED REPAYMENT SCHEDULE
LOAN #B26-002
SOUTHEASTERN WATER ASSOCIATION

1.75% Interest
$18,372.70 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								$617,823.00		
12/01/26	$12,966.75	$5,405.95	1.75%	$18,372.70	$617.82	$0.00	$18,990.52	$604,856.25	$1,500.00	$1,500.00
06/01/27	$13,080.21	$5,292.49	1.75%	$18,372.70	$604.86	$0.00	$18,977.56	$591,776.04	$0.00	$1,500.00
12/01/27	$13,194.66	$5,178.04	1.75%	$18,372.70	$591.78	$0.00	$18,964.48	$578,581.38	$1,500.00	$3,000.00
06/01/28	$13,310.11	$5,062.59	1.75%	$18,372.70	$578.58	$0.00	$18,951.28	$565,271.27	$0.00	$3,000.00
12/01/28	$13,426.58	$4,946.12	1.75%	$18,372.70	$565.27	$0.00	$18,937.97	$551,844.69	$1,500.00	$4,500.00
06/01/29	$13,544.06	$4,828.64	1.75%	$18,372.70	$551.84	$0.00	$18,924.54	$538,300.63	$0.00	$4,500.00
12/01/29	$13,662.57	$4,710.13	1.75%	$18,372.70	$538.30	$0.00	$18,911.00	$524,638.06	$1,500.00	$6,000.00
06/01/30	$13,782.12	$4,590.58	1.75%	$18,372.70	$524.64	$0.00	$18,897.34	$510,855.94	$0.00	$6,000.00
12/01/30	$13,902.71	$4,469.99	1.75%	$18,372.70	$510.86	$0.00	$18,883.56	$496,953.23	$1,500.00	$7,500.00
06/01/31	$14,024.36	$4,348.34	1.75%	$18,372.70	$496.95	$0.00	$18,869.65	$482,928.87	$0.00	$7,500.00
12/01/31	$14,147.07	$4,225.63	1.75%	$18,372.70	$482.93	$0.00	$18,855.63	$468,781.80	$1,500.00	$9,000.00
06/01/32	$14,270.86	$4,101.84	1.75%	$18,372.70	$468.78	$0.00	$18,841.48	$454,510.94	$0.00	$9,000.00
12/01/32	$14,395.73	$3,976.97	1.75%	$18,372.70	$454.51	$0.00	$18,827.21	$440,115.21	$1,500.00	$10,500.00
06/01/33	$14,521.69	$3,851.01	1.75%	$18,372.70	$440.12	$0.00	$18,812.82	$425,593.52	$0.00	$10,500.00
12/01/33	$14,648.76	$3,723.94	1.75%	$18,372.70	$425.59	$0.00	$18,798.29	$410,944.76	$1,500.00	$12,000.00
06/01/34	$14,776.93	$3,595.77	1.75%	$18,372.70	$410.94	$0.00	$18,783.64	$396,167.83	$0.00	$12,000.00
12/01/34	$14,906.23	$3,466.47	1.75%	$18,372.70	$396.17	$0.00	$18,768.87	$381,261.60	$1,500.00	$13,500.00
06/01/35	$15,036.66	$3,336.04	1.75%	$18,372.70	$381.26	$0.00	$18,753.96	$366,224.94	$0.00	$13,500.00
12/01/35	$15,168.23	$3,204.47	1.75%	$18,372.70	$366.22	$0.00	$18,738.92	$351,056.71	$1,500.00	$15,000.00
06/01/36	$15,300.95	$3,071.75	1.75%	$18,372.70	$351.06	$0.00	$18,723.76	$335,755.76	$0.00	$15,000.00
12/01/36	$15,434.84	$2,937.86	1.75%	$18,372.70	$335.76	$0.00	$18,708.46	$320,320.92	$1,500.00	$16,500.00
06/01/37	$15,569.89	$2,802.81	1.75%	$18,372.70	$320.32	$0.00	$18,693.02	$304,751.03	$0.00	$16,500.00
12/01/37	$15,706.13	$2,666.57	1.75%	$18,372.70	$304.75	$0.00	$18,677.45	$289,044.90	$1,500.00	$18,000.00
06/01/38	$15,843.56	$2,529.14	1.75%	$18,372.70	$289.04	$0.00	$18,661.74	$273,201.34	$0.00	$18,000.00
12/01/38	$15,982.19	$2,390.51	1.75%	$18,372.70	$273.20	$0.00	$18,645.90	$257,219.15	$1,500.00	$19,500.00
06/01/39	$16,122.03	$2,250.67	1.75%	$18,372.70	$257.22	$0.00	$18,629.92	$241,097.12	$0.00	$19,500.00
12/01/39	$16,263.10	$2,109.60	1.75%	$18,372.70	$241.10	$0.00	$18,613.80	$224,834.02	$1,500.00	$21,000.00
06/01/40	$16,405.40	$1,967.30	1.75%	$18,372.70	$224.83	$0.00	$18,597.53	$208,428.62	$0.00	$21,000.00
12/01/40	$16,548.95	$1,823.75	1.75%	$18,372.70	$208.43	$0.00	$18,581.13	$191,879.67	$1,500.00	$22,500.00
06/01/41	$16,693.75	$1,678.95	1.75%	$18,372.70	$191.88	$0.00	$18,564.58	$175,185.92	$0.00	$22,500.00
12/01/41	$16,839.82	$1,532.88	1.75%	$18,372.70	$175.19	$0.00	$18,547.89	$158,346.10	$1,500.00	$24,000.00
06/01/42	$16,987.17	$1,385.53	1.75%	$18,372.70	$158.35	$0.00	$18,531.05	$141,358.93	$0.00	$24,000.00
12/01/42	$17,135.81	$1,236.89	1.75%	$18,372.70	$141.36	$0.00	$18,514.06	$124,223.12	$1,500.00	$25,500.00
06/01/43	$17,285.75	$1,086.95	1.75%	$18,372.70	$124.22	$0.00	$18,496.92	$106,937.37	$0.00	$25,500.00
12/01/43	$17,437.00	$935.70	1.75%	$18,372.70	$106.94	$0.00	$18,479.64	$89,500.37	$1,500.00	$27,000.00
06/01/44	$17,589.57	$783.13	1.75%	$18,372.70	$89.50	$0.00	$18,462.20	$71,910.80	$0.00	$27,000.00
12/01/44	$17,743.48	$629.22	1.75%	$18,372.70	$71.91	$0.00	$18,444.61	$54,167.32	$1,500.00	$28,500.00
06/01/45	$17,898.74	$473.96	1.75%	$18,372.70	$54.17	$0.00	$18,426.87	$36,268.58	$0.00	$28,500.00
12/01/45	$18,055.35	$317.35	1.75%	$18,372.70	$36.27	$0.00	$18,408.97	$18,213.23	$1,500.00	$30,000.00
06/01/46	$18,213.23	$159.47	1.75%	$18,372.70	$18.21	$0.00	$18,390.91	$0.00	$0.00	$30,000.00
Totals	**$617,823.00**	**$117,085.00**		**$734,908.00**	**$13,381.13**	**$0.00**	**$748,289.13**		**$30,000.00**	

Created by KIA on 03/23/2026

EXHIBIT G
TO
ASSISTANCE AGREEMENT

ADDITIONAL COVENANTS AND AGREEMENTS

* * * * *

There is hereby established by the Borrower a maintenance and replacement reserve fund designated as the “KIA Loan # B26-002 Maintenance and Replacement Reserve Fund” (the “Maintenance Fund”). The Borrower shall establish and maintain the Maintenance Fund throughout the term of the Loan governed by this Assistance Agreement. The Maintenance Fund shall be maintained at the primary depository institution utilized by the Borrower from time to time, but a different depository institution may be selected by the Borrower with the prior written consent of the Authority.

The Borrower shall deposit $1,500 in the Maintenance Fund on each December 1st occurring during the term of the Loan, up to a maximum total balance of $30,000, for so long as the Loan is owed and outstanding hereunder.

Amounts held by the Borrower within the Maintenance Fund may be utilized by the Borrower to repair or replace any portion of the Project during the term of the Loan for which such repair or replacement is determined to be necessary based upon the reasonable judgement of the Borrower and the prior written approval of the Authority.

RESOLUTION

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE SOUTH EASTERN WATER ASSOCIATION INC. AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE UP TO $840,000 OF LOAN FUNDS FOR PROJECT NUMBER B26-002.

WHEREAS, the Board of Directors (the "Governing Authority") of the South Eastern Water Association Inc. (the "Borrower") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements (the "Project") to the Borrower's ~~waste~~water system (the "System"); and

WHEREAS, the Borrower has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

WHEREAS, in order to obtain such monies, the Borrower is required to enter into an Assistance Agreement with the Authority (the "Assistance Agreement");

NOW, THEREFORE, IT IS RESOLVED by the South Eastern Water Association Inc. as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Borrower and the Authority regarding Project Number B26-002 substantially in the form on file with the Borrower for the purpose of providing the necessary financing to the Borrower for the Project.

SECTION 2. That the President and the Secretary of the Borrower be and hereby are authorized, directed, and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Borrower to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on April 9, 2026.

President

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the South Eastern Water Association Inc. (the "Borrower"); that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of the Borrower at a meeting duly held on April 9, 2026; that the official action appears as a matter of public record in the official records or journal of the governing authority; that the meeting was held in accordance with all applicable requirements of Kentucky law, including Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes; that a quorum was present at the meeting; that the official action has not been modified, amended, revoked, or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this April 9, 2026.

Secretary

SOUTHEASTERN WATER ASSOCIATION

BOARD OF DIRECTORS

MINUTES

April 2026

The Board of Directors, Southeastern Water Association, met for its regular monthly meeting @ 5:30 PM, April 9th, 2026, at the Association's office, 6615 Highway 914, Somerset, KY. Board members present: Joe Crawford, Grant Treado, Wade Bumgardner, Dwight Faulkner, Dennis Faulkner, Mark Davis and Bobby Crowe.

Others present: Lester Moore, Molly Hardy, Morris Vaughn, Melanie Rhodus, Jerry Clay~~ham~~, Ariash Patel, Robert Lawson, Mr. Durbin of Durbin's Bait and Tackle store, Tina Fox and Brendan Welch.

President Joe Crawford called the meeting to order and declared a quorum present.

The Invocation was given by Bobby Crowe.

VISITORS

Jerry Clay~~ham~~ ho spoke regarding getting a meter replaced due to the ice storm that may have frozen it and possible damage due to a backhoe. Mr. Lawson spoke regarding traffic issues in Burnside due to the current waterline project being installed along Highway 27. Mr. Patel spoke regarding the traffic and the impact of the traffic on his business. Mr. Durbin spoke of the negative impact the traffic flow has had on his business. The Board explained the history of the project and the delay of the original start date due to the PSC delaying the project. The Board also discussed ways to improve traffic and contacting the state highway traffic department for suggestions to improve the traffic flow. Tina Fox spoke regarding getting water on Herrin Lane. She informed the Board that four households did want meters installed. It was explained that SWA had tried in the past to get people to sign up and no one wanted the meters in the past. It was also explained the cost was prohibitive and it would be best to pursue a grant. The Board also explained the easement procedures for waterline installation. Another option offered was for the customers to install their own line.

Financial Report

Melanie Rhodus presented the Financial Report to the Board. Motion made by Mark Davis, seconded by Grant Treado, to accept the report as presented and authorize the accountants to pay the bills for the month. Motion passed without opposition.

Engineering Report

Brendan Welch reported the power poles have been marked to be set on the Sandy Gap Project.

Bendan reported that he has had the surveyor on the Keno and Blue John projects, and he should have plans within a month to six weeks.

Brendan received signatures needed for the financing of the Burnside project.

MINUTES

Motion made by Bobby Crowe to forego the reading of the minutes. Seconded, by Wade Bumgardner. Motion passed without opposition.

OLD BUSINESS

The Board discussed purchasing of pumpstation buildings. Joe Crawford had an appointment to look at them and invited Brendan Welch to attend as well.

Grant Treado informed the Board that one truck was almost complete with the other one currently in transit.

NEW BUSINESS

Molly Hardy discussed Tariff revisions, the rate case and the Davis litigation. She reported that R.C Ryan's deposition was scheduled, and it would be conducted April 13th at SWA's office.

Molly Reported that Tina Fredrick has filed a motion for a deviation on the rate case. She reported that Tina had asked for additional time to conduct the rate case.

She reported the PSC has highlighted several things on the Tariff revisions which she felt indicated the PSC was trying to help SWA complete their revised tariffs. She then discussed each issue the PSC had highlighted with the Board along with suggested changes per Tina Fredrick.

The Board also discussed the frozen meter issue and possible ways to deal with it to stay in line with the Tariffs.

Bobby Crowe inquired if the employees are to be paid on the days they are taking a test. He was informed they were paid on those days.

Wade Bumgardner expressed his concern regarding paying for only one test contributed to changing the rules.

Motion made by Dennis Faulkner to adjourn. Seconded by Mark Davis. Motion carried without opposition. Meeting Adjourned.

Minutes Prepared

By____________

Keith Patrick

Respectfully Submitted

By____________

Mark O Davis, Secretary

Date Approved 5-14-2026

By:____________

Joe Crawford, President

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **November 6, 2025 – 1:00 p.m.**
Kentucky Infrastructure Authority
100 Airport Road
Frankfort, KY 40601

Members Present:
Chairman Matt Sawyers, Commissioner Department of Local Government
Mr. Brian Thomas, proxy for Ms. Linda Bridwell, Executive Director, Public Service Commission
Mayor Bruce Fraley, representing Kentucky League of Cities
Ms. Rebecca Goodman, Secretary, Energy and Environment Cabinet
Judge Mark McKenzie, representing Kentucky Association of Counties
Ms. Shelley Porter, representing For Profit Water Companies
Mr. Russell Rose, representing Kentucky Rural Water Association
Mr. Shaun Youravich, representing Kentucky Section of the American Water Works Association

Members Absent:
Ms. Geri Grigsby, proxy for Secretary Holly Johnson, Finance and Administration Cabinet
Mr. Jeff Noel, Secretary, Cabinet for Economic Development
Mr. Robert A. Amato, representing Kentucky League of Cities

KIA Staff:
Ms. Sandy Williams, Executive Director
Mr. Milward Dedman, Deputy Executive Director
Mr. Robert Aldridge, Regional Compliance Coordinator
Ms. Julie Bickers, Regional Compliance Coordinator
Mr. John Brady, Financial Analyst
Mr. Kelly Cunnagin, Executive Staff Advisor
Ms. Cynaman Jones, Office Assistant
Ms. Debbie Landrum, Regional Compliance Coordinator
Ms. Natalie Lile, Assistant General Counsel
Ms. Meg Link, Administrative Specialist Senior, and KIA Secretary
Mr. Russell Neal, Staff Assistant
Ms. Sandy Rankin, Federal Program Specialist
Mr. Don Schierer, WRIS Resource Management Analyst
Mr. Jeremy Skinner, Financial Analyst
Mr. Thomas Schubert, GIS Specialist

Guests:
Mr. Ben Allen, Bell Engineering
Mr. Paul Amburgey, E.I. Robinson Engineering
Mr. Matt Baker, Kentucky Engineering Group
Mr. Jory Becker, Division of Water
Mr. Daniel Buckles, Blue & Co.
Mr. Ryan Carr, Kentucky Engineering Group
Ms. Hollie Delaney, Division of Water
Mr. Otis Lewis, Harlan Municipal Water Works
Ms. Holly Nicholas, Kentucky Engineering Group
Mr. Allen Norvell, Blue & Co.
Ms. Bethany Padgett, Office of Financial Management
Mr. Eric Patton, City of Flatwoods
Mr. David Roof, Leitchfield Utilities Commission

Mr. Adam Scott, Integrated Water Kentucky
Mr. Brendan Welch, Kenvirons

I. PROCEEDINGS

Chair Matt Sawyers called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that the media advisory was properly distributed. He also confirmed a quorum was present.

A. BUSINESS (Board Action Required)

1. APPROVAL OF MINUTES

***For: KIA* Regular Board Meeting of September 4, 2025**

Judge Mark McKenzie made the motion to approve September 4, 2025, minutes. Secretary Rebecca Goodman seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS (Board Action Required)

1. CONSIDERATION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Mr. Allen Norvell, and Mr. Daniel Buckles, Blue & Co., LLC met with the group to discuss the Audit for the Fiscal Year Ended June 30, 2025. He noted the following financial highlights:

- As of the close of fiscal year 2025, the Authority reported an ending net position of $1,619,050,000 an increase of $131,361,000 (8.8%) in comparison with the prior year.
- The Authority's total liabilities increased $180,410,000 (94.9%) during fiscal year 2025.
- The Authority disbursed $145,514,000 to borrowers for eligible expenditures under loan assistance agreements.
- Principal in the amount of $75,606,000 was collected from borrowers for assistance agreements.
- The Authority recorded grant expenditures to local governmental entities of $143,437,000 in federal grants and $37,566,000 in state grants.

It is Blue & Company's opinion, that the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Secretary Rebecca Goodman made the motion to approve the 2025 Audit Report as submitted. Mayor Bruce Fraley seconded, and the motion unanimously passed.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND LOAN (A26-004) FOR AN AMOUNT UP TO $1,873,142 TO THE CITY OF LEITCHFIELD, GRAYSON COUNTY, KENTUCKY

Ms. Hollie Delaney, DOW, and Mr. Jeremy Skinner, KIA, discussed the City of Leitchfield's request for a Fund A planning and design loan in the amount of $1,873,142 for the Leitchfield Wastewater Plant project. The purpose of this funding is for the planning and design of a new 3.0 MGD wastewater treatment plant to replace the City's existing facility, which is nearing the end of its useful life. As part of this project, the City will shift to biological nutrient removal (BNR), which will allow for the removal of phosphorus and position the City to better meet the future total nitrogen limit. The proposed facility will be designed with the intent of regionalization, enabling the City to be a regional WWTP and potentially treat waste flows from the City of Clarkson and the City of Caneyville.

Via the Leitchfield Utilities Commission, the City of Leitchfield provides sewer services to 2,020 residential, 383 commercial, and 15 industrial/institutional customers.

Mr. Russ Rose made the motion to approve the City of Leitchfield's request for a Fund A loan, A26-004, for an amount up to $1,873,142 with the standard conditions. Mr. Shaun Youravich seconded, and the motion unanimously passed.

3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND LOAN (A26-011) FOR AN AMOUNT UP TO $4,858,207 TO THE CITY OF LOUISA, LAWRENCE COUNTY, KENTUCKY

Ms. Hollie Delaney, DOW, and Mr. John Brady, KIA, discussed the City of Louisa's request for a Fund A loan in the amount of $4,858,207 for the Wastewater Treatment Plant (WWTP) project. A new 1.0 MGD WWTP will be constructed to replace the existing 0.75 MGD plant that is aging and has reached its operational design lifespan. Flow will be pumped to the new WWTP by a combination of the Town Branch Lift Station and the High Bottom Lift Station. Both Lift Stations will utilize the same force main entering the treatment plant property. Flow will go through an influent magnetic flow meter prior to entering screening and grit removal. Following grit removal flow will travel by gravity into one of two Sequencing Batch Reactor (SBR) basins. Treatment process will be designed for removal of BOD, TSS, and TKN. The SBR will also be capable of treatment for phosphorus removal in the future if required. Following treatment in the SBR basins flow will travel by gravity through an effluent flow meter where peracetic acid will be dosed based on flow rate and enter a contact tank for proper disinfection. Following the contact tank flow will be discharged to the Big Sandy River from the existing discharge structure. A backup Generator will be provided on site which will be capable of operating the Town Branch Pump Station, administration building, influent screening, grit removal, SBR treatment processes, and disinfection system in the event of a power failure. Sludge produced will be wasted to an aerated sludge holding tank for reduction of volume and then further dried prior to disposal by use of an inclined screw press.

The project is necessary to bring the city into compliance with an Agreed Order with the Division of Water and will have a positive impact on water quality from improved discharges.

The city currently serves 1,624 residential customers and 366 commercial customers.

Judge Mark McKenzie the motion to approve the Fund A loan, A26-011, to the City of Louisa for an amount up to $4,858,207 with the standard conditions. Mayor Bruce Fraley seconded, and the motion carried unanimously.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B26-002) FOR AN AMOUNT UP TO $617,823 TO THE SOUTHEASTERN WATER ASSOCIATION, PULASKI COUNTY, KENTUCKY

Ms. Hollie Delaney, DOW, and Mr. Jeremy Skinner, KIA, discussed the Southeastern Water Association's request for a Fund B loan in the amount of $617,823. This loan will be used in conjunction with nearly $840,000 in combined Cleaner Water Program grants and local funds to fund the 2023 Various Waterline Upgrades project.

This project will replace existing undersized waterlines in service areas that are struggling to keep up with customer demand. The project consists of the replacement of existing 6" waterline along US 27 and Heather Way with a combined 8,500 linear feet of 8" waterline. If funds remain following project completion, the Association will replace undersized waterline along KY 769 with 800 LF of 8" waterline and install 2,800 LF of 4" waterline extension along Mayfield School Road, 300 LF of 4" waterline extension along Mark Welborn Road, and 2,600 LF of 3" waterline extension along Broyles Road.

The Southeastern Water Association serves 7,901 residential and 139 commercial customers. Additionally, the Association has one wholesale customer – the Burnside Municipal Water Works. The Association purchases water from the City of Somerset (Somerset Utilities).

Mr. Brian Thomas abstained from the vote. Mr. Shaun Youravich, made the motion to approve the Fund B loan, B26-002, to the Southeastern Water Association for an amount up to $617,823 with the standard conditions. Ms. Shelley Porter seconded and the motion passed.

Commissioner Sawyer had to leave the meeting and Vice Chair Russ Rose took the lead.

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN (F21-021) INCREASE FOR AN ADDITIONAL AMOUNT UP TO $1,463,000, FOR A TOTAL LOAN AMOUNT UP TO $4,012,645 TO THE CITY OF HARLAN, HARLAN COUNTY, KENTUCKY**

Ms. Hollie Delaney, DOW, and Mr. John Brady, KIA, discussed the City of Harlan's request that two previously approved KIA loans be combined to fully fund their Water Treatment Plant (WTP) and Raw Water Intake project. The KIA Board approved a $1,463,000 loan (F21-016) for the Water Distribution System Improvements project and a $2,549,645 loan (F21-021) for the WTP and Raw Water Intake project on January 7, 2021. Both projects are important to the city but critical parts of both the intake and WTP are failing, which could lead to a lack of water production for the entire city and majority of Harlan County. The WTP project has experienced several delays in recent years and in this time the budget has increased significantly. In order to complete the critical work at WTP the city requests to transfer the funds originally approved for the F21-016 loan to the F21-021 loan.

The proposed project includes numerous upgrades to both the raw water intake and at the plant. The city's existing 100,000-gallon storage tank at the WTP site will also be painted. Work at the intake includes the replacement of raw water pump control valves, new surge relief components, installation of an additional air compressor and air storage tank, along with SCADA and electrical upgrades. Work at the WTP includes new sludge handling and storage facilities, chemical feed system improvements, influent and effluent controls, replacement of service pumps, SCADA, and various other upgrades. The overall project will improve the system's operational efficiency and treatment reliability.

The city currently serves 1,604 residential customers and 313 commercial customers.

Ms. Shelley Porter made the motion to approve combining two previously approved loans by the KIA Board into one, F21-016 and F21-021 for a total loan amount of $4,012,645 with the standard condition and the following special condition: The city will pass a resolution demonstrating their intention to increase revenues as necessary to maintain KIA's required 1.1 debt coverage ratio. KIA staff review indicates that service revenues will need to increase

approximately $215,000, or 16%, by FY2028 to meet the loan requirements. Secretary Rebecca Goodman seconded, and the motion unanimously passed.

6. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F26-025S) FOR AN AMOUNT UP TO $373,000 TO THE CITY OF FLATWOODS, GREENUP COUNTY, KENTUCKY**

   Ms. Hollie Delaney, DOW, and Ms. Sandy Rankin, KIA, discussed the City of Flatwoods' request for a Fund F loan in the amount of $373,000 for their Flatwoods Clay Street Waterline Replacement and KY 207 Interconnect project. The proposed project includes the replacement and extension of the City of Flatwoods' existing water distribution system. Approximately 3,500 LF of new 6" water line will be installed along KY 207 including all associated valves and appurtenances. A critical new interconnection between the City of Flatwoods and the City of Greenup water systems will also be created. Included in the new interconnect will be a two-way control valve and a master meter housed in a shared valve pit which will allow either system to serve as a backup to the other and improve regional water system resiliency.

   The City currently serves 3,139 residential customers, 72 commercial, industrial and institutional customers and 9 wholesale/other customers.

   Secretary Rebecca Goodman made the motion to approve the Fund F loan to the City of Flatwoods for an amount up to $373,000 with the standard conditions. Judge Mark McKenzie seconded, and the motion passed unanimously.

7. **RESOLUTION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES**

   This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered.

BORROWER	**FUND**	**AMOUNT**	**LOAN TOTAL**
Adair County Water District (Director Level Increase)	A24-007	$267,225	$2,939,475
City of Leitchfield	A26-004	$1,873,142	$1,873,142
City of Louisa	A26-0211	$4,858, 207	$4,858,207
Southeastern Water Association	B26-002	$617,823	$617,823
City of Harlan	F21-021	$4,012,645	$4,012,645
City of Flatwoods	F26-025S	$373,000	$373,000

   Secretary Rebecca Goodman made the motion to approve the Capital Reimbursement Resolution. Mayor Bruce Fraley seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Director Williams thanked everyone for attending the meeting. She noted that there had been 164 applications submitted for consideration for the Kentucky Water and Wastewater Assistance for Trouble or Economically Restrained Systems (KY WWATERS) program. One hundred and fifty-two qualified for consideration, two did not meet the statutory requirements. There was a total request for funding of $444,912,924. This year, there is a total allotment of $53 million available. So, the Board's consideration and ranking of the projects will be critical. The awards were done strictly by scoring last year. KIA staff has looked at several different ways to sort the projects. If a utility submitted 27 applications and they ranked number one, they received 27 awards. We will provide information based on scores, as well as looking at it based strictly on median household income (MHI) and categories that appeared quite often in the requests. She apologized that the information was not completed in time for today's meeting and allowing adequate time for the Board's review in advance of the meeting. We do need to have a special meeting called to address this matter due to the statutory requirement of a December 1st submission to the General Assembly.

III. ANNOUNCEMENTS/NOTIFICATIONS

Next regularly scheduled KIA board meeting:

Thursday, November 20, 2025 – Special Called Meeting

Thursday, December 4, 2025, at 1:00 p.m.
100 Airport Road, Third Floor
Frankfort, Kentucky

There being no further business, Secretary Goodman made the motion to adjourn the November 6, 2025, meeting. Mr. Shaun Youravich seconded, and the motion carried unanimously. The meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Margaret F. Link
Secretary

November 14, 2025
Date

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

November 20, 2025

Call to Order and Roll Call
The November meeting of the Capital Projects and Bond Oversight Committee was held on November 20, 2025, at 12:00 PM in Room 149 of the Capitol Annex. Representative Shawn McPherson, Chair, called the meeting to order, and the secretary called the roll.

Present were:
Members: Representative Shawn McPherson, Co-Chair; Senator Reginald L. Thomas; Representatives Jason Petrie, Sarah Stalker, and Walker Thomas.

Guests: Andrea Anderson, General Counsel, Western Kentucky University; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; and Steve Starkweather, Deputy Executive Director, Debt, Office of Financial Management.

LRC Staff: Katherine Halloran, Savannah Fritsch, and Spring Emerson.

Information Items
Ms. Halloran presented the Information Items as A. KRS 43.050(2)(e) Lease Law Compliance Report; B. KRS 45.760(5) Postsecondary Medical Equipment Purchases - University of Kentucky; C. KRS 45.812(1) School District Debt Issues – New Projects for 1. Knox County, 2. Owensboro Independent (Daviess County); and 3. Spencer County; D. KRS 45A.077(6) Postsecondary Notice of Intent to Use Public-Private Partnership (P3) Project Delivery Method - Western Kentucky University, Housing; E. House Bill 6 (2024 Regular Session) Reporting - Kentucky Communications Network Authority Capital Projects; and, F. House Bill 1 (2022 Regular Session) and House Bill 6 (2024 Regular Session) Reporting - Postsecondary Asset Preservation Pool Allocations for 1. Eastern Kentucky University, 2. University of Louisville, and 3. Kentucky Community and Technical College System.

In response to Representative Walker Thomas, Ms. Anderson said they had received six qualified responses to the RFQ process and those were narrowed down to four for the RFP process.

In response to Representative Petrie, Ms. Anderson said she would find out who pays the real estate tax on the property and get back to the committee.

In response to Chair McPherson, Ms. Anderson said the Student Life Foundation has owned the property since 2000, and built the three structures on the property. The Foundation voted last spring to raze one of the structures, and that will occur at the end of the academic year. They are working to repair the remaining two halls with an estimated completion date in the fall of 2027. There will be a third party construction manager to oversee those repairs to the satisfaction of the Partner and the University.

Project Report from the Finance and Administration Cabinet
Janice Tomes, Deputy State Budget Director, Office of State Budget Director, presented information on a new project requiring action and a pool allocation requiring no action.

The action item was for a New Project for the Tourism, Arts and Heritage Cabinet, Department of Fish and Wildlife Resources - Mt. River Farms Property Acquisition. The pool allocation was for the Justice and Public Safety Cabinet, Department of Corrections, Adult Correctional Institutions (Maintenance Pool - 2024-2026) - Luther Luckett Correctional Complex Various Roof Replacements.

Report from the Office of Financial Management
Kentucky Infrastructure Authority -- Sandy Williams, Executive Director, Kentucky Infrastructure Authority, presented information on six loans and four Cleaner Water Program grant reallocations requiring action. They included 1. Clean Water State Revolving Fund (Fund A) Program Loans for a. Director Level Increase - Adair County Water District (Adair County), A24-007; b. Planning and Design - City of Leitchfield (Grayson County), A26-004; and, c. City of Louisa (Lawrence County), A26-011; 2. Infrastructure Revolving Fund (Fund B) Program Loan - Southeastern Water Association (Pulaski County), B26-002; 3. Drinking Water State Revolving Fund (Fund F) Program Loans for a. Increase - City of Harlan (Harlan County), F21-021, and b. City of Flatwoods (Greenup County), F26-025S; and, 4. Cleaner Water Program Grant Reallocations for a. Round One (Senate Bill 36 - 2021 Regular Session) - Water (One - Unserved Rural Pool); b. Round Two (House Bill 1 - 2022 Regular Session) - Sewer (One - County Pool); and, c. Round Two (House Bill 1 - 2022 Regular Session) - Water (Two - County Pool).

In response to Representative Petrie, Ms. Williams said KIA offers both twenty-year and thirty-year loan terms. The thirty-year terms are available for disadvantaged communities. Maintaining adequate rate fees is required in order to repay the debt for a 1.1 coverage ratio. Updated financial statements are required to be submitted annually, with smaller cities being required to submit them every other year. The financial summaries do not include depreciation.

Office of Financial Management -- Steve Starkweather, Deputy Executive Director, Debt, Office of Financial Management, presented information on one new debt issue and five

SFCC debt issues requiring action and three previous debt issues requiring no action.

The New Debt Issue was for Kentucky Economic Development Authority Revenue Bonds (CommonSpirit Health) Series 2025. The Previous Debt Issues included a. Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Campbell View Apartments Project), Series 2025A and Series 2026B; b. Kentucky Housing Corporation Housing Single Family Mortgage Revenue Bonds, 2025 Series E (Non-AMT) and 2025 Series F (Taxable); and, c. Western Kentucky University General Receipts Bonds, 2025 Series A.

In response to Chair McPherson, Mr. Starkweather said that OFM does not track multifamily unit project costs, for which the developer is responsible.

The five SFCC debt issues included School District Debt Issues with School Facilities Construction Commission Debt Service Participation for 1. New Projects in a. Allen County, b. Floyd County, c. Jackson County, and d. Murray Independent (Calloway County); as well as 2. Refunding - Whitley County.

Meeting Recessed and Reconvened
Chair McPherson called a recess at 12:37 PM until the quorum requirement was met. The meeting reconvened at 12:53 PM.

Senator Reginald Thomas moved to roll all action items into one roll call vote. The motion was seconded by Representative Petrie, and the votes were rolled into one. The action items were approved without objection by roll call vote.

Approval of Minutes
Representative Walker Thomas moved to approve the minutes of the October 21, 2025 meeting. The motion was seconded by Senator Reginald Thomas, and the minutes were approved without objection by voice vote.

Next Meeting Date
The next meeting is scheduled for Tuesday, December 16, 2025 at 3:00 PM in Room 131 of the Capitol Annex, with Representative McPherson presiding. Submissions are due on December 2, 2025.

Adjournment
There being no further business, the meeting was adjourned at 12:55 PM.

250 Belmont Avenue, Suite 4
Somerset, KY 42501

H

Tel: (606) 772-2889
Fax: (606) 772-2888
molly.hardy11@gmail.com

Hardy Law Office, PLLC
Molly K. Hardy, Attorney

April 10, 2026

Kentucky Infrastructure Authority
100 Airport Road, Third Floor
Frankfort, Kentucky

IN RE: Assistance Agreement by and between Kentucky Infrastructure Authority and South Eastern Water Association Inc., regarding Project Number B26-002

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the South Eastern Water Association Inc. (the "Borrower"). I am familiar with the organization and existence of the Borrower and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the wastewater treatment works project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Borrower (the "Assistance Agreement") is being authorized, executed, and delivered. Capitalized but undefined terms utilized herein shall have the meanings provided in the Assistance Agreement.

I have reviewed the form of Assistance Agreement by and between the Authority and the Borrower, the legislation of the governing authority authorizing the execution and delivery of the Assistance Agreement and the plans, designs, and specifications prepared by the Engineers for the Borrower with respect to the Project.

Based upon my review I am of the opinion that:

1. The Borrower is a duly organized and existing non-profit corporation of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2. The Assistance Agreement, once executed and delivered by the Borrower, is a valid and binding obligation of the Borrower enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency, or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3. The Borrower has all necessary power and authority (i) to enter into, perform, and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the Construction of the Project.

4. The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Borrower.

5. The execution and delivery of the Assistance Agreement and the performance by the Borrower of its obligations thereunder does not and will not conflict with, violate, or constitute a default under any court or administrative order, decree, or ruling, or any law, statute, ordinance, or regulation, or any agreement, indenture, mortgage, lease, note, or other obligation or instrument, binding upon the Borrower, or any of its properties or assets. The Borrower has obtained each and every authorization, consent, permit, approval, or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency, or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery, or performance by the Borrower of the Assistance Agreement and the imposition of the Service Charges.

6. To the best of my knowledge after due inquiry there is no action, suit, proceedings, or investigation at law or in equity before any court, public board or body pending or threatened against, affecting, or questioning (i) the valid existence of the Borrower; (ii) the right or title of the members and officers of the Borrower to their respective positions; (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor; (iv) the Construction of the Project; (v) the validity or enforceability of the Service Charges; or (vi) that would have a material adverse impact on the ability of the Borrower to perform its obligations under the Assistance Agreement.

7. None of the proceedings or authority heretofore had or taken by the Borrower for the authorization, execution, or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8. To the best of my knowledge, the Borrower has fully complied with all federal and state labor and procurement laws in connection with the acquisition and Construction of the Project.

9. All proceedings and actions of the Borrower with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes.

Very truly yours,

Molly Hardy

MOLLY K. HARDY
Attorney at Law

MKH:jpp

GENERAL CLOSING CERTIFICATE OF THE BORROWER

Dated May 1, 2026

Re: Assistance Agreement dated as of May 1, 2026, by and between the Kentucky Infrastructure Authority and South Eastern Water Association Inc.

In connection with the above-identified Assistance Agreement (the "Assistance Agreement"), the South Eastern Water Association Inc. (the "Borrower"), through its undersigned duly-authorized officer hereby certifies, represents, warrants, and covenants as follows:

1. No event of default exists, or with the passage of time will exist, under the Assistance Agreement and the representations and warranties set forth in the Assistance Agreement are true and correct as of the date hereof.

2. The Borrower has examined and is familiar with proceedings of the governing body of the Borrower approving the Assistance Agreement and authorizing its negotiation, execution, and delivery and such proceedings were duly enacted or adopted at a meeting or meetings of the governing body of the Borrower at which a quorum was present and acting throughout; such proceedings are in full force and effect and have not been superseded, altered, amended, or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

3. The Borrower is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement, and to consummate the transactions contemplated thereby.

4. The negotiation, execution, and delivery of the Assistance Agreement by the Borrower and the consummation of the transactions contemplated thereby by the Borrower have been duly authorized by all requisite action of the governing body of the Borrower.

5. The Assistance Agreement has been duly executed and delivered by the Borrower and is a valid and binding obligation of the Borrower enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency, or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Borrower after diligent inquiry, threatened, in any court or before any board, tribunal, or administrative body, to challenge in any manner the authority of the Borrower or its governing body to make payments under the Assistance Agreement or to acquire or construct the project identified therein (the "Project"), or to challenge in any manner the authority of the Borrower or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the acquisition or construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Borrower of the Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the

Borrower, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

7. The authorization and delivery of the Assistance Agreement and the consummation of the transactions contemplated thereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule, or regulation or other document or law affecting the Borrower or its governing body.

8. All actions taken by the Borrower in connection with the Assistance Agreement and the loan described therein have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

9. The Borrower has all licenses, permits, and other governmental approvals required to construct, own, occupy, operate, and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power, and authority to perform the acts and things as provided for in the Assistance Agreement.

10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Borrower indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

IN WITNESS WHEREOF, I have set my hand as of the date first set out above.

SOUTH EASTERN WATER
ASSOCIATION INC.

By: Joseph Crawford
President

Attest:

By: Mark Davis
Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
kia.ky.gov

Sandy Williams
Executive Director

November 7, 2025

Morris Vaughn, Manager
Southeastern Water Association
6615 KY 941
Somerset, KY 42501

KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B26-002)

Dear Mr. Vaughn:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On November 6, 2025, the Authority approved your loan for the 2023 Various Waterline Upgrades project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed $1,455,928, without prior authorization of the Authority, of which the Authority loan shall provide $617,823, of the funding. Other anticipated funding for the project is reflected in Attachment B. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment B incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Southeastern Water Association upon satisfactory performance of the conditions set forth in Attachment A. You must meet the conditions set forth in Attachment A and enter into an Assistance Agreement by November 7, 2026 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

Milward Dedman

Milward Dedman
Deputy Executive Director

Attachments

cc: Brendan Welch, Kenvirons, LLC

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" **and return to this office and the US Bank address at the bottom of each form**. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time. These forms and an SRF loan checklist guide can be found in Attachment C of this letter.

Accepted

11-18-2025
Date

ATTACHMENT A

Conditions

Southeastern Water Association
B26-002

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed $617,823.

2. The loan shall bear interest at the rate of 1.75% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date of the last draw of funds.

4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the authorization form in Attachment C of this letter to U.S. Bank for processing.

5. Full principal payments will commence on June 1, or December 1, immediately succeeding the date of the last draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1, or December 1, which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.

6. A loan servicing fee of 0.20% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.

7. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.

8. The Authority loan funds must be expended within six months of the official date of initiation of operation.

9. The Authority requires that an annual financial audit be provided for the life of the loan.

10. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

11. The borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.

2. The Borrower must provide certification from their legal counsel stating that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment B description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding, or any new funding sources not reflected in Attachment B shall be immediately reported and may cause this loan to be subject to further consideration.

4. Upon receipt of construction bids a tabulation of such bids and engineer’s recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.

5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The Committee meets monthly. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.

6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.

7. Based on the final "as bid" project budget, the borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer.

8. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.

9. The Borrower must provide documentation of Clearinghouse Endorsement and Clearinghouse Comments.

10. The Borrower must complete and return the "Authorization for Electronic Deposit of Borrower Payment" form in Attachment C of this letter to U.S. Bank.

11. The Borrower will implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.

12. The Borrower will provide Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH EASTERN WATER ASSOCIATION, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND FINANCING OF THE U.S. 27 WATER LINE REPLACEMENT PROJECT PURSUANT TO THE PROVISIONS OF KRS 278.020, KRS 278.300, AND 807 KAR 5:001	)))))))	CASE NO. 2025-00375

O R D E R

On December 2, 2025 South Eastern Water Association, Inc. (South Eastern Water) filed an application,[1] pursuant to KRS 278.020(1), KRS 278.300, and 807 KAR 5:001, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct the U.S. 27 Water Line Replacement Project, which consists of replacing approximately 5,400 linear feet of existing 6-inch polyvinyl chloride (PVC) water line with new 8-inch ductile iron water line and all necessary appurtenances; and for approval of its plan to finance the proposed project through a Kentucky Infrastructure Authority (KIA) Fund B Loan, Cleaner Water Program grant funds, and unrestricted reserve funds.[2]

This matter stands submitted for decision.

[1] South Eastern Water tendered an application on November 25, 2025, that was rejected for filing due to certain deficiencies. On December 2, 2025, South Eastern Water filed documents that cured the filing deficiencies, and the application was deemed filed as of December 2, 2025.

[2] Application (filed Dec. 2, 2025) at 5 and 13.

BACKGROUND

South Eastern Water is a water association organized under KRS Chapter 273 and provides retail water service to approximately 7,863 residential customers and 14 commercial customers in Pulaski County, Kentucky.[3] South Eastern Water purchases its water from the city of Somerset Utilities.[4] As of December 31, 2024, South Eastern Water's plant in service was $50,725,224 and its accumulated depreciation was $21,398,721.[5]

WATER LOSS

Pursuant to 807 KAR 5:066, Section 6(3), water loss is limited to 15 percent for ratemaking purposes. South Eastern Water reported water loss of 17.2562 percent in its 2024 Annual Report.[6] At 17.2562 percent water loss, South Eastern Water's total cost of water loss is $295,119 while the annual cost of water loss in excess of 15 percent was $38,586.

---

[3] *Annual Report of South Eastern Water to the Public Service Commission for the Year Ending December 31, 2024* (2024 Annual Report), at 12 and 49.

[4] 2024 Annual Report at 54.

[5] 2024 Annual Report at 16.

[6] 2024 Annual Report at 57.

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	$1,605,841	$104,377	$1,710,218
Loss Percentage	17.2562%	17.2562%	17.2562%
Total Water Loss	$ 277,107	$ 18,012	$ 295,119

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	$1,605,841	$104,377	$1,710,218
Water Loss in Excess of 15%	2.2562%	2.2562%	2.2562%
Disallowed Water Loss	$ 36,231	$ 2,355	$ 38,586

.

PROPOSED PROJECT

Project Description

South Eastern Water proposed to replace approximately 5,400 linear feet of aging 6-inch PVC distribution main along U.S. 27 in Pulaski County with 8-inch ductile iron water line and associated appurtenances.[7] The existing line is among the oldest in South Eastern Water's system and serves approximately 2,000 customers, including supplying the Tateville Pump Station.[8] According to the application, the existing facilities have experienced repeated failures and are inadequately sized to maintain reliable service and system pressures. South Eastern Water stated its replacement of the line will improve hydraulic capacity, system reliability, and operational efficiency.[9]

---

[7] Application, Exhibit 5, Final Engineering Report at 2.

[8] Application, Exhibit 5, Final Engineering Report at 2.

[9] Application, Exhibit 5, Final Engineering Report at 2.

South Eastern Water and its consulting engineers considered multiple alternatives to the proposed U.S. 27 Water Line Replacement Project.[10] These alternatives included both construction and non-construction options.

One alternative considered was phasing of the project and replacing only a portion of the existing 6-inch PVC water line.[11] While the southern portion of the line presents fewer constructability challenges and connects directly to the Tateville Pump Station, South Eastern Water determined that delaying replacement of the northern portion of the line would likely increase overall project costs due to inflation and escalating construction costs associated with working along a heavily traveled highway corridor.[12] South Eastern Water determined that this alternative would not adequately address the ongoing reliability concerns associated with the entire length of the deteriorating water line.[13]

A second alternative involved utilizing a temporary high-density polyethylene (HDPE) bypass line installed during construction as a permanent replacement for a portion of the existing facilities.[14] South Eastern Water rejected this option due to the unavoidable service interruptions that would occur during relocation of the bypass line and concerns regarding the long-term durability of HDPE pipe in the rocky terrain present along U.S. 27. South Eastern Water concluded this alternative would increase operational risk and compromise long-term system reliability.[15]

---

[10] Application, Exhibit 5, Final Engineering Report.

[11] Application, Exhibit 5, Final Engineering Report, at 2, Paragraph 3. Alternatives Considered.

[12] Application, Exhibit 5, Final Engineering Report, at 2, Paragraph 3. Alternatives Considered.

[13] Application, Exhibit 5, Final Engineering Report at 2.

[14] Application, Exhibit 5, Final Engineering Report, at 2, Paragraph 3. Alternatives Considered.

[15] Application, Exhibit 5, Final Engineering Report at 2-3.

South Eastern Water also considered a non-construction alternative of continuing reactive maintenance of the existing 1970s-era PVC water line. The record reflects that this line has experienced frequent breaks, is difficult to monitor for leaks due to roadway noise and limited access and serves approximately one-quarter of South Eastern Water's customers. According to the application, continued reliance on reactive maintenance would not be consistent with South Eastern Water's obligation to provide adequate, efficient, and reliable service.[16]

After evaluating these alternatives, South Eastern Water selected full replacement of the existing 6-inch PVC line with an 8-inch ductile iron water line as the most reasonable and prudent option to address system reliability, hydraulic capacity, and water loss concerns.

Financing

South Eastern Water proposed to finance the project with a combination of funding sources, including a $617,823 KIA Fund B Loan (B26-002), $107,059 in Cleaner Water Program grant funds, and $380,282 in unrestricted reserve funds, from excess debt reserve accounts,[17] for a total estimated project cost of $1,105,164.[18] The KIA loan will bear interest at 1.75 percent per annum and will be repaid over a period not to exceed 20 years from the date of the final draw of funds.[19]

---

[16] Application, Exhibit 5, Final Engineering Report at 3.

[17] Application, Exhibit 5, Final Engineering Report, Appendix D Local Funds Commitment Letter.

[18] Application, Exhibit 5, Final Engineering Report at 4, Table 3 – Revised Project Funding.

[19] Application at 13–14, paragraph 32. Application, Exhibit 15, Conditional Commitment Letter, Attachment A Conditions, paragraph 3.

South Eastern Water stated that the total capital costs for the project are $1,105,164, which includes construction, Engineering Fees – Design, Engineering Fees - Inspection, and contingencies.[20]

Description	Amount
Construction	$ 919,240
Engineering Fees - Design	41,000
Engineering Fees - Inspection	53,000
Contingency	91,924
Total	$ 1,105,164

The proposed loan will bear interest at a rate of 1.75 percent per annum and must be repaid over a period not to exceed 20 years from the date of the last draw of funds.[21] The proposed loan will be secured by a pledge of South Eastern Water's revenues.[22] A loan servicing fee of 0.20 percent of the outstanding loan balance will also be assessed semi-annually.[23] Payments on the proposed loan will begin six months after funds are first drawn.[24]

Description	Amount
KIA - Fund B Loan (B26-002)	$ 617,823
22CWW362	107,059
Unrestricted Reserve Funds	380,282
Total	$ 1,105,164

[20] Application, Exhibit 5, Final Engineering Report for the South Eastern Water Association at 4, Table 3.

[21] Application at 13-14, paragraph 32.

[22] Application at 13-14, paragraph 32.

[23] Application at 13-14, paragraph 32.

[24] Application at 13-14, paragraph 32.

LEGAL STANDARD

The Commission's standard of review regarding a CPCN is well settled. No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission.[25] To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.[26]

"Need" requires:

> [A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.
>
> [T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.[27]

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties."[28] To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must

---

[25] KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

[26] *Kentucky Utilities Co. v. Public Service Commission*, 252 S.W.2d 885 (Ky. 1952).

[27] *Kentucky Utilities Co.*, 252 S.W.2d at 890.

[28] *Kentucky Utilities Co.*, 252 S.W.2d at 890.

demonstrate that a thorough review of all reasonable alternatives has been performed.[29] Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.[30] All relevant factors must be balanced.[31]

KRS 278.300 requires Commission authorization before a utility may "issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person."[32] KRS 278.300 only applies to notes that have a term of more than two years.[33]

KRS 278.300(3) sets forth Commission considerations and clarifies the scope of Commission review, stating:

> The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

---

[29] Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005), Order at 11.

[30] *See Kentucky Utilities Co. v. Public Service Commission,* 390 S.W.2d 168, 175 (Ky. 1965). *See also* Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), final Order.

[31] Case No. 2005-00089, Aug. 19, 2005 final Order at 6.

[32] KRS 278.300.

[33] Case No. 2005-00089, Aug. 19, 2005 final Order at 6; KRS 278.300(8), exception to general provisions of KRS 278.300.

DISCUSSION AND FINDINGS

Having considered the record and being otherwise sufficiently advised, the Commission finds that South Eastern Water has demonstrated that the U.S. 27 Water Line Replacement Project satisfies the statutory requirements for issuance of a Certificate of Public Convenience and Necessity.

The Commission finds that the proposed project meets the standard for need. South Eastern Water provided sufficient evidence that the existing 6-inch PVC water line along U.S. 27 is deteriorating, has experienced repeated failures, and is inadequately sized to reliably serve approximately 2,000 customers, multiple pump stations and storage facilities. The frequent line breaks, operational inefficiencies at the Tateville Pump Station, and increased risk of undetected leaks constitute a substantial inadequacy of existing service facilities that cannot be remedied through normal maintenance in the ordinary course of business. The Commission further finds that the affected customer base is sufficiently large to make the proposed facilities economically feasible.

The Commission also finds that the proposed project will not result in wasteful duplication. The project does not involve construction of parallel or competing facilities and will replace existing infrastructure in the same location. No other public water utilities serve the project area, and thus the proposed facilities will not duplicate the facilities of another utility. South Eastern Water evaluated reasonable alternatives and selected a solution that balances cost, constructability, operational efficiency, and long-term reliability. The Commission finds that the proposed investment is proportionate to system needs and will improve efficiency rather than create excess capacity; therefore, will not result in wasteful duplication.

The Commission further finds that the requested financing is necessary to complete the projects discussed above and will not impair South Eastern Water's ability to provide service. Additionally, the Commission finds that the financing requests are for the lawful purpose of providing safe, adequate, and reliable service to the public. The financing will enable South Eastern Water to construct the proposed project, which, as discussed above, is necessary to provide water service consistent with the lawful purpose. In this instance, the financing plan will not impair South Eastern Water's ability to provide service and is reasonably necessary for South Eastern Water to provide adequate service.

During review of this application the Commission undertook a limited review of South Eastern Water's finances. South Eastern Water's financial information from 2020 through 2024 is presented below. South Eastern Water's last rate filing, made pursuant to the alternative rate filing procedure, occurred in Case No. 2021-00126[34] and reflected an increase of $263,372, or 6.39 percent.[35] During its review of South Eastern Water's past five-year financial performance, the Commission notes that South Eastern Water's Rate Based income (adjusted net income minus principal payments) was a net loss for the last five years, even after the updated rates set in Case No. 2021-00126 were put into effect. The increased revenue requirement to support the proposed project in the instant case may support a $45,562, or 1.03 percent, increase to the 2024 Revenues from water sales of $5,026,345, as shown in the following table.

[34] Case No. 2021-00126, *Electronic Application of South Eastern Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076,* (Ky. PSC Sept. 17, 2021).

[35] Case No. 2021-00126, (Ky. PSC Sep. 17, 2021), Order at 16, Revenue Requirement.

Description	Total Project Amount
Operating Expenses	
Water Purchase Savings ( )	$ (5,900)
Estimated Annual Line Repair Costs ( )	(5,500)
Depreciation	17,683
Expense Impact	6,283
Debt Service	
Principal and Interest	37,968
Working Capital (20% of Debt Service)	7,594
Debt Service Impact	45,562
Increased Revenue Requirement	51,845
2024 Revenues from Water Sales	$ 5,026,345
Incremental Expenses as a Percent of Water Revenue	1.03%

Based on this application, the associated financing, and the audited financial information on file, the Commission finds that South Eastern Water should submit an application for a rate adjustment pursuant to 807 KAR 5:076, a general rate adjustment pursuant to 807 KAR 5:001, Section 16, based on a 2025 test year, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary, on or before August 31, 2026.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
Adjusted Net Income					
Net Income / (Loss)	$ 854,164	$ 1,033,324	$ 682,325	$ 899,243	$ 1,381,112
Other Non-recurring Items ( )	(633,962)	(933,038)	(597,414)	(606,432)	(1,227,132)
Non-Cash Pension and OPEB Expense / (Income)	0	0	0	0	0
Adjusted Net Income / (Loss)	**$ 220,202**	**$ 100,286**	**$ 84,911**	**$ 292,811**	**$ 153,980**
Subtract: Principal Payments ( )	(764,893)	(422,577)	(239,317)	(385,518)	(397,853)
Rate Based Income	**$ (544,691)**	**$ (322,291)**	**$ (154,406)**	**$ (92,707)**	**$ (243,873)**
Add: Depreciation Expense	1,006,192	1,130,581	1,138,309	1,216,498	1,300,498
Cash Basis Income	**$ 461,501**	**$ 808,290**	**$ 983,903**	**$ 1,123,791**	**$ 1,056,625**
Cash Basis Income as Percent of Depreciation	46%	71%	86%	92%	81%
Capital Spending	$ 1,784,493	$ 3,418,188	$ 3,816,899	$ 2,250,341	$ 3,155,360
Cash and Investments					
Unrestricted Cash and Investments	$ 5,080,918	$ 3,236,446	$ 2,934,190	$ 2,144,621	$ 1,650,510
Restricted Funds	1,153,808	1,477,956	1,321,955	1,352,881	1,479,527
Adjusted Cash Balances	6,234,726	4,714,402	4,256,145	3,497,502	3,130,037
Net Increase (Decrease) in Cash	$ 94,098	$ (1,520,324)	$ (458,257)	$ (758,643)	$ (367,465)
Selected Statistical Information *(PSC Annual Reports)*					
Customer Count	7,794	7,721	7,931	8,062	7,878
Gallons Purchased	527,654	524,138	568,738	586,312	584,555
Gallons Sold	317,641	331,236	346,691	342,357	346,472
Gallons Used for Internal Use	135,658	119,332	137,118	157,306	137,211
Water Loss Gallons	74,357	73,570	84,929	86,649	100,872
System Use Percentage	25.71%	22.77%	24.11%	26.83%	23.47%
Water Loss Percentage	14.0920%	14.0364%	14.9329%	14.7787%	17.2562%
Gallons Sold Per Customer Per Month	3,396	3,575	3,643	3,539	3,665
Revenues from the Sale of Water	$ 4,156,230	$ 4,382,177	$ 4,613,098	$ 4,713,362	$ 5,026,345
Purchased Water Expense	1,313,081	1,373,820	1,476,814	1,460,185	1,669,955
Purchased Water Expense Over 15% Water Loss	0	0	0	0	37,678
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.75%

Accordingly, the Commission finds that the proposed project is necessary, will not result in wasteful duplication, and is consistent with South Eastern Water's obligation under KRS 278.030 to provide safe, adequate, and reasonable service.

IT IS THEREFORE ORDERED that:

1. South Eastern Water is granted a CPCN for the proposed U.S. 27 Water Line Replacement Project as submitted.

2. South Eastern Water shall immediately notify the Commission upon knowledge of any material changes to the projects, including but not limited to increase in cost and any significant delays. Any material deviation from the construction approved by this Order shall be undertaken only with prior approval of the Commission.

3. South Eastern Water shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (e.g., engineering, legal, and administrative), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

4. South Eastern Water shall file a certified statement that the construction has been satisfactorily completed in accordance with the construction plans and specifications within 60 days of the substantial completion of the construction discussed herein.

5. South Eastern Water is authorized to issue the evidence of indebtedness requested, subject to the conditions discussed herein.

6. The proceeds from the issuance of evidence of debt authorized shall be used only for the lawful purposes set out in the application.

7. South Eastern Water shall only execute the loan documents with KIA to the extent their terms and conditions are consistent with the loan described in its application, except as otherwise authorized herein.

8. South Eastern Water shall file a copy of the loan documents executed with KIA in this matter within ten days of executing them.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 3, 4, and 8 of this Order shall reference this case number and shall be retained in South Eastern Water's post-case correspondence file.

10. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon South Eastern Water's showing of good cause for such extension.

11. No later than August 31, 2026, and based on the 2025 test year, South Eastern Water shall file either an application for a general rate adjustment, pursuant to 807 KAR 5:001, Section 16; an application for an alternative rate adjustment, pursuant to 807 KAR 5:076; or a formal motion with detailed analysis of its rates and revenues, and a statement of the reasons why a rate case is not necessary.

12. This case is closed and removed from the Commission's docket.

Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

PUBLIC SERVICE COMMISSION

____
Chairman

____
Commissioner

____
Commissioner

ATTEST:

Linda Bridwell RP

____
Executive Director

ENTERED
JAN 29 2026
AB
KENTUCKY PUBLIC
SERVICE COMMISSION

*Honorable Damon R Talley
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

*Morris Vaughn
Manager
South Eastern Water Association, Inc.
6615 Hwy 914
Somerset, KY 42501

*South Eastern Water Association, Inc.
6615 Hwy 914
Somerset, KY 42501

*Tina C. Frederick
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

From: Brendan R. Welch
To: Bickers, Julie (KIA)
Subject: RE: Southeastern WA B26-002
Date: Thursday, March 19, 2026 12:35:28 PM
Attachments: image001.png
image002.png
image003.png

Based on what the attorneys told me when getting approval for the Fund B loan, since the previous project was grant only and no funds were being borrowed, a CPCN was not necessary.

Brendan Welch, P.E.
Associate
770 Wilkinson Boulevard | Frankfort, KY 40601
Office (502) 695-4357 | Mobile (618) 792-0540
KENVIRONS *Civil and Environmental Engineers*

From: Bickers, Julie (KIA) <julie.bickers@ky.gov>
Sent: Thursday, March 19, 2026 12:31 PM
To: Brendan R. Welch <BWelch@kenvirons.com>
Subject: RE: Southeastern WA B26-002

I understand what you are saying, so PSC didn't have to approve the first contract? I thought they had to at least approve a CPCN for any project?

From: Brendan R. Welch <BWelch@kenvirons.com>
Sent: Thursday, March 19, 2026 12:08 PM
To: Bickers, Julie (KIA) <julie.bickers@ky.gov>
Subject: RE: Southeastern WA B26-002

Julie,

I do. See attached bid tab. It may be best if I call you to try and explain the differences here, but I will do my best to send via email first.

The CWP grant is for $457,823 for the project listed in WRIS. A portion of this project along Heather Way near the Eagles Nest subdivision was already bid out and constructed using the CWP funds, which left $107,059 in the CWP grant. The second portion of this project along US 27 was then bid out, which includes the Fund B loan and the total budget for this portion is $1,105,164 as the PSC order states.

Let me know if you have any questions on this as I know this is a little confusing. I will be available to call here until about 2:30 on my cell phone.

Thanks!

Brendan Welch, P.E.
Associate
770 Wilkinson Boulevard | Frankfort, KY 40601
Office (502) 695-4357 | Mobile (618) 792-0540
KENVIRONS *Civil and Environmental Engineers*

From: Bickers, Julie (KIA) <julie.bickers@ky.gov>
Sent: Thursday, March 19, 2026 9:32 AM
To: Brendan R. Welch <BWelch@kenvirons.com>
Subject: Southeastern WA B26-002

Good Morning Brendan,
Do you have the bid tab for this project? Also, I noticed the project budget in the PSC order and funding source amounts do not match. WRIS has a budget of $1,455,928, the budget in the PSC order is $1,105,164. The cleaner water grant is for $457,823 not $107,059. The PSC order specifically states they have to be notified of an increase in cost.

2. South Eastern Water shall immediately notify the Commission upon knowledge of any material changes to the projects, including but not limited to increase in cost and any significant delays. Any material deviation from the construction approved by this Order shall be undertaken only with prior approval of the Commission.