

TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

BOND TRANSCRIPT

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TOWN OF HILLSBORO
SEWER REVENUE BONDS
SERIES 1986
BOND ORDINANCE

TOWN OF HILLSBORO

SEWER REVENUE BONDS

BOND ORDINANCE

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TOWN OF HILLSBORO

ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWAGE FACILITIES OF TOWN OF HILLSBORO AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$420,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS. SERIES 1986; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

HILLSBORO: BE IT RESOLVED BY THE CITY COUNCIL THE OF TOWN OF

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinances supplemental hereto, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. The Town of Hillsboro (the "Issuer") is a municipal corporation of the State of West Virginia in Pocahontas County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain sewerage collection facilities of the Issuer (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage or industrial wastes (the existing facilities, if any, the Project, and any additions thereto or extensions thereof is herein called the "System") at an estimated cost not to exceed \$1,784,182, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Mayor of the Issuer.

C. The estimated revenues to be derived in each year after the enactment hereof from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1986, in the principal amount of not more than \$420,000 (the "Bonds"), to pay a portion of the "local share" of the Issuer, of the cost of acquisition and construction of the Project and costs of issuance of the Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds prior to and during

construction or acquisition and for 6 months after completion of construction of the Project; engineering and legal expenses; expenses for estimates of cost and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, discount, initial fees for the services of registrars, paying agents, depositories or trustees of the Water Development Authority or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that its Original Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority.

G. There are not outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor of the Issuer or any acting Mayor duly appointed by the City Council.

"Bondholder" or "Holder of the Bonds" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation" means this Bond and all ordinances supplemental hereto or amendatory hereof.

"Bonds" means the Original Bonds, and any bonds on a parity therewith authorized to be issued hereunder.

"Mayor" means the Mayor of the Town of Hillsboro, the Issuer.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Consulting Engineers" means Copper & Smith, P.C., Harrisonburg, Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02(D) hereof to be a part of the cost of construction and acquisition of the Project.

"Depository Bank" means one or more banks designated as such in the Supplemental Ordinance, and their successors and assigns.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the city council of the Issuer, consisting of five members.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which Grant is to be paid to the Issuer; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the

EPA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

"Grant Receipts" means all monies received by the Issuer on account of any Grant; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined, and for the furnishing by the Issuer of miscellaneous service.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the

Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Issuer" or "Town" means the Town of Hillsboro in Pocahontas County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement and the Supplemental Loan Agreement dated April 8, 1986, entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized by, the Supplemental Ordinance.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, of the Authority, fiscal agents, the Registrar, and the Paying Agent (all as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be

included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 4.01 hereof.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean that not more than \$420,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1986, issued for the purpose of paying a cost of construction and for such other purposes permitted hereby and authorized by a ordinance supplemental hereto, which Bonds shall be issued in one or more series as determined by a ordinance or ordinances supplemental hereto and which are originally authorized hereby.

"Other Grants" means collectively, the WDA Grant, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding, " when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon authenticated and delivered except (i) any Bond cancelled by the registrar therefor, or at or prior to said date:

(ii) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof, payable from Net Revenues on a parity with the Original Bonds.

"Paying Agent" means the bank or banks or other entities designated as such for the Bonds in the Supplemental Ordinance.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain sewage collection and transportation facilities consisting of sewer mains, manholes, pump stations and all necessary appurtenances.

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Federal Farm Credit Bank; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent

not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of paid repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have)

possession of such collateral; and such collateral must be free of all claims by third parties; and

(h) The "Consolidated Fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended, provided that investments by such Fund (or portions thereof) on behalf of the issuer may only be in qualified investments other than those described in this paragraph.

"Registered Owner," "Bondholder," "Holder" or any similar term means whenever used herein with respect to an outstanding Bond or Bonds the person in whose name such Bond is registered.

"Registrar" means the bank to be designated as such in the Supplemental Ordinance and its successors and assigns.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

"Reserve Account" means the Reserve Account established in the Sinking Fund pursuant to Section 5.02 hereof.

"Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Bonds in any Fiscal Year.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

"Secretary" means the Secretary of the public service board of the Issuer.

"Sinking Fund" means the Sinking Fund established by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Ordinance" means any ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental ordinance authorizing the sale of the Original Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Ordinance with respect to the Original Bonds, and no so included may be included in another Supplemental Ordinance.

"System" means the complete properties of the Issuer for the collection, transportation and treatment of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, if any, the Project and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"WDA Grant" means the grant from the West Virginia Water Development Authority pursuant to the commitment therefor.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing

the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. The Issuer hereby reconfirms the authorization of the construction and acquisition of the Project, in accordance with the plans and specifications which have been prepared by the Consulting Engineers and heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purpose of paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, and for such other purposes as may be set forth in Supplemental Ordinance, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$420,000. Said Bonds shall be designated "Sewer Revenue Bonds, Series 1986," of one or more series as determined by the Supplemental Ordinance, and shall have such terms as set forth hereinafter and in the

Supplemental Ordinance. The proceeds of the Bonds (excluding accrued interest) remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall be deposited in the Bond Construction Trust Fund and applied to payment of the Costs of the Project, as necessary. If, after providing for such payment there remain any Original Bond proceeds, such proceeds shall be deposited to the Reserve Account.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Ordinance. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents selected by the original purchaser or purchasers thereof, in any coin or currently which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds, shall be paid either by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by whatever manner is satisfactory to the Water Development Authority and the Issuer.

Unless otherwise provided by the Supplemental Ordinance, the Original Bonds shall be issued in the form of a

single bond, fully registered to the Authority, with a payment record attached, representing the aggregate principal amount of the Bond issue, and shall mature in principal installments, all as provided in the Supplemental Ordinance. Said Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, all as determined by a Supplemental Ordinance. The registered Bonds shall be dated as of the date specified in a Supplemental Ordinance and shall bear interest from such date.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Mayor, and the sale of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issue before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed

on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 shall have been manually executed by the Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered, if applicable, and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be

conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said Bonds.

So long as any of the Bonds remain outstanding, the Issuer, through the Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Registrar. For every such exchange or transfer of Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon

each exchange or transfer, and any other expenses of the Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Registrar shall not be obliged to make any such exchange or transfer of Bonds during the 15 days preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In any case any Bond becomes mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of like tenor as the Bonds or mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Fund and the Reserve Account therein hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Original Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Ordinance adopted prior to the issuance thereof:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF HILLSBORO
SEWER REVENUE BOND, SERIES 1986

No. R- _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF HILLSBORO, a municipal corporation of the State of West Virginia in Pocahontas County hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of _____ (\$ _____), in installments on June 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum as set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Payee and payment therefor and until payment of such installment, and such interest shall be payable on the 1st day of June, and the 1st day of December in each year beginning December 1, 1986. The principal of this Bond is payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia

Municipal Bond Commission, Charleston, West Virginia, through Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar and Paying Agent (the "Registrar"). The interest on this Bond is payable by check or draft mailed to the registered owner hereof at the address as it appears on the books of the Registrar on the 30th day of the month preceding the date of payment of such interest. So long as the Payee is the registered owner, this Bond shall not be subject to redemption prior to its stated date of maturity without the written consent of the Payee and the payment of interest and redemption premium provided for in the Loan Agreement by and between the Payee and the Issuer of even date herewith.

This Bond is issued (i) to finance part of the cost of acquisition and construction of public sewerage facilities (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project, if necessary; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), a Ordinance duly adopted by the Issuer on the ____ day of May, 1986, and a Supplemental Ordinance adopted by the Issuer on the ____ day of May, 1986 (collectively called the "Bond Legislation"), and is

subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, money in the Reserve Account created under the Bond Legislation (the "Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitation, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which, along with other revenues of the System, shall be sufficient to provide for the reasonable expenses of operation, repair and

maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any fiscal year for debt service on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or, if the Reserve Account for the Bonds is funded (whether by proceeds of the Bonds, monthly deposits or otherwise) at least at the amount sufficient to pay the maximum amount of principal and interest which will become due on the Bonds in any fiscal year, and any reserve account for such prior or parity obligations is funded at least at the requirement therefor, equal to at least 110% of the amount required in any fiscal year for debt service on the Bonds and any such prior or parity obligations. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books kept for that purpose at the office of the Registrar by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Payee or its attorney duly authorized in writing.

This Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project, if necessary, described in the Bond Legislation or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of any interest on this Bond.

All provisions of the Bond Legislation, ordinances and statutes under which this Bond is issued shall be deemed to be as part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, THE TOWN OF HILLSBORO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder and has caused this Bond to be dated May _____, 1986.

(SEAL)

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

KANAWHA VALLEY BANK, N.A.,
as Bond Registrar

By: _____
It Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[form of assignment]

FOR VALUE RECEIVED the undersigned sells, assigns, and transfer unto

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. The Mayor is specifically authorized and directed to execute the Loan Agreement in such form as may be approved by the Supplemental Ordinance, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Account with Depository Bank. The following special funds or accounts are created with and shall be held by, the Depository Bank:

- (1) Revenue Fund;
- (2) Operation and Maintenance Fund;
- (3) Renewal and Replacement Fund; and
- (4) Bond Construction Trust Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

- (1) Sinking Fund; and
 - (a) Within the Sinking Fund, the Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the

operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first, each month, transfer from the Revenue Fund and Deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Bonds on the next ensuing semiannual interest payment date, less any moneys transferred from the Reserve Account for the purpose of making interest payments and investment earnings on sums previously deposited in the Sinking Fund for the purpose of making interest payment; provided, that, in the event the period to lapse between the date of such initial deposit in the Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall

be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Bonds on the next ensuing principal payment date, less any moneys transferred from the Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Sinking Fund for the purpose of making principal payments.

(4) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120 of the Reserve Requirement; provided, that no further payments shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the

Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Sinking Fund and applied in full to the next ensuing principal payment due on the Bonds.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Fund for payment of debt service on the Bonds have been made.

(5) The Issuer shall not be required to make any further payments into said Sinking Fund or into the Reserve Account in said Sinking Fund when the aggregate amount of funds in both said Sinking Fund and said Reserve Account are at least equal to the aggregate principal amount of Bonds issued pursuant to this Bond Legislation then Outstanding, plus the amount of interest due or thereafter to become due on said Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for

additional payments into said Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in said Sinking Fund in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any Fiscal Year for account of all the Bonds, including such additional Bonds which by their terms are payable from said Sinking Fund.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the time provided herein.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby

pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

(6) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of the Reserve Account in the Sinking Fund. All funds in the Renewal and Replacement Fund shall be kept part from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiency in the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 4.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several

special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Operation and Maintenance Fund, the Sinking Fund, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month, such excess shall be considered as surplus revenues and used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such date as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as surety for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

F. All remittances made by the Issuer to the

Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 5.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. Any accrued interest received from the sale shall be deposited in the Sinking Fund and applied to the first interest payment due on the Bonds.

B. The amount of the proceeds which together with the proceeds deposited pursuant to Subsection (A) of this section and together with the earnings thereon, shall be at least sufficient to pay interest on the Bonds for the period specified in the Supplemental Ordinance shall be deposited in the Sinking Fund; provided, that such period may not extend beyond the date which is 6 months after the estimated date of completion of construction of the Project.

C. The amount necessary to pay the costs of issuance of the Bonds shall be deposited with the Depository Bank in a special account, which shall be maintained within the Bond

Construction Trust Fund, hereby designated the "Town of Hillsboro Sewer Revenue Bonds Costs of Issuance Account" (the "Costs of Issuance Account"), and used to pay all costs of issuance of the Bonds.

D. The remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer in the Bond Construction Trust Fund. Any moneys may be drawn out, used and applied by the Issuer for the payment of any costs of construction and acquisition of the Project authorized by the Supplemental Ordinance, and purposes incidental thereto. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds shall be deposited by the Issuer in the Sinking Fund and shall be used only as provided therefor. All such proceeds shall be and constitute a trust fund for such purposes, and there is hereby created lien upon such monies until so applied in favor of the Holders of such Bonds.

E. The Issuer shall disburse no moneys from the Bond Construction Trust Fund except to pay Costs of the Project as provided below, or to pay costs of issuance as provided in "C" above or the principal of or interest on the Notes when due. Disbursements from the Construction Trust Fund shall be made only after submission to the Issuer of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(a) The account from which such disbursement is requested;

(b) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(c) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(d) That each of such costs has been otherwise properly incurred;

(e) That payment for each of the items proposed is then due and owing; and

(f) That each of such costs is a Cost of the Project.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said

Bonds or the interest thereon is Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payments of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System, to the extent necessary to make the payments required under Section 4.03 hereof, or as otherwise provided. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided in therein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 6.04. Initial Schedule of Rates and Charges; Rules. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Order of the Public Service Commission of West Virginia entered April 28, 1986 (Case No. 86-119.)

Section 6.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding or to effectively defease the Bond Legislation in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Sinking Fund, and, in the event the Authority is no longer a Bondholders, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is

not in excess of \$10,000, the Issuer shall, by ordinance, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other disposition of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by ordinance duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value so long as the holders of said Bonds agree thereto. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid

into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Bonds may be issued as provided for in Section 6.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that

such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 6.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a

written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year of principal of and interest on the following:

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding;
and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such

Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the

limitations of and in compliance with this section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Ordinance.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued the lien of which on the revenues of the System is subject to the prior and superior lien of the Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts

provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation; shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, Parity Bonds may be issued solely for the purpose of completing the Project as described in the Application defined in the Loan Agreement, without regard to the restrictions set forth in this Section 6.07, if there is first obtained by the Issuer the written consent of the Authority.

Section 6.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records

shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

(a) A statement of Gross Revenues, Operating Expenses and Net Revenues derived from and relating to the System.

(b) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation with respect to said Bonds, as the case may be, and the status of all said funds and accounts.

(c) The amount of any Bonds or other obligations outstanding.

Section 6.09. Rates. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such

schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide funds which, along with other revenues of the System, will pay all Operating Expenses and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of debt service on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or, if the Reserve Account for the Bond is funded (whether by the Bond proceeds, monthly deposits or otherwise) at least at the Reserve Requirement and any reserve account for any such prior bonds or parity obligations is funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of debt service on the Bonds and any such prior or parity obligations.

Section 6.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all

reasonable times to the Trustee and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the books, records and accounts of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to the Authority or any other original purchaser of the Bonds and shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement. The Issuer shall mail such report, on request, or a summary thereof, to any Holder or Holders of the Bonds, and shall make such report available generally.

Section 6.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceeds for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by

the Act, the rules of the Issuer, the rules and regulations of the Public Services Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the water system, if then owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

Section 6.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by

the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.14. Insurance and Construction Bonds.

A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(a) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available

against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$100,000 per occurrence from claims for damages to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles or for the System.

(c) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is

to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project.

Section 6.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment

and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

ARTICLE VII

INVESTMENT OF FUNDS; NO ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at

the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 7.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount. The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than from its own negligence or willful misconduct.

Section 7.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Depository Bank and the Bond Commission that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and an Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

(a) Payment of the principal of any of the Bonds shall not be made as and when the same shall become due and payable; or

(b) Payment of any installment of interest on any of the Bonds shall not be made as and when the same shall become due and payable; or

(c) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver, or receivers, of the Issuer, or of any of the

revenues to be derived from the System, or any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting any composition between the Issuer and any of its creditors pursuant to any Federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the Issuer, shall not be vacated or discharged or stayed on appeal within sixty days after the entry thereof, or if such proceedings, having been instituted without the consent or acquiescence of the Issuer, shall not be withdrawn or any orders entered shall not be withdrawn, vacated, discharged or stayed on appeal, within sixty days after the institution of such proceedings or the entry of such orders; or

(d) The issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds, or in the Ordinance, other than (a) and (b) above, and such default shall continue for thirty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond, may exercise any available remedy and bring any appropriate

action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates,

rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues, and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission either moneys in an amount which shall be sufficient, or securities the principal of and the

interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Commission at the same time, shall be sufficient, to pay when due the respective principal of and interest due and to become due on said Bonds on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the respective principal of and interest to become due on said Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond

Legislation, or of any ordinance amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 10.02. Bond Legislation Constitutes Contract.

The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 10.03. Severability of Invalid Provisions. If

any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Ordinance or the Bonds.

Section 10.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 10.05. Amendments. The Issuer hereby covenants to make any amendment or supplements to this Ordinance necessary to enable the Bonds to be issued, or, once issued, in such form as to render the interest thereon exempt from federal income taxation.

Section 10.06. Conflicting Ordinances and Provisions Repealed. All orders or ordinances and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 10.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, Recorder and members of the City Council of the Issuer were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

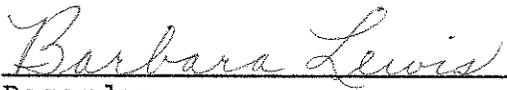
Section 10.08. Effective Date. This Ordinance shall take effect immediately upon adoption.

Adopted this 28th day of April, 1986.

TOWN OF HILLSBORO



Mayor



Recorder

CERTIFICATION

Certified a true copy of a Ordinance duly adopted by the
Town of Hillsboro on this 28th day of April, 1986.

(SEAL)

Barbara Lewis
Recorder

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TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

SUPPLEMENTAL ORDINANCE

SUPPLEMENTAL ORDINANCE PROVIDING AS TO DATE, MATURITY, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986, OF THE TOWN OF HILLSBORO; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the city council (the "Governing Body") of TOWN OF HILLSBORO (the "Issuer"), has duly and officially adopted a Ordinance effective April 28, 1986 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF TOWN OF HILLSBORO AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF HILLSBORO OF NOT MORE THAN \$420,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Ordinance provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount of not to exceed \$420,000, and has authorized the execution and delivery of a Loan Agreement (the

"Loan Agreement") and a Supplemental Loan Agreement ("Supplemental Loan Agreement") each dated as of April 8, 1986, both sometimes collectively referred to as the "Agreements" by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, Chapter 16, Article 13 (the "Act"); and in the Bond Ordinance, it is provided that the maturity date, interest rates, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental ordinance pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement;

WHEREAS, the Governing Body deems it essential and desirable that this supplemental ordinance (the "Supplemental Ordinance") be adopted and that the Loan Agreement previously entered into by the Issuer be ratified, that the price, the maturity date, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TOWN OF HILLSBORO:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Ordinance is adopted and there are hereby

authorized and ordered to be issued the Sewer Revenue Bonds, Series 1986, of the Issuer, originally represented by two Bonds, numbered R-1 and R-2, in the aggregate principal amount of \$420,000. Number R-1 (the "Local Bond") shall be dated May 30, 1986, and shall mature October 1, 2025, and shall be in the principal amount of \$280,400.00, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1986, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal commencing on October 1, 1988 and each of the years and in the amounts as set forth in "Schedule X," attached thereto and incorporated therein by reference. Number R-2 (the "Supplemental Bond") shall be dated May 30, 1986, shall mature October 1, 2025, shall be in the principal amount of \$139,600.00, shall be non-interest bearing, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal commencing on October 1, 1988 and each of the years and in the amounts as set forth in "Schedule Y" attached thereto and incorporated therein by reference.

Section 2. All other provisions relating to the Bonds shall be, and the Bonds shall be in substantially the form provided in, the Bond Ordinance.

Section 3. The Issuer does hereby approve and accept the Agreements dated April 8, 1986, between the Authority and the Issuer, a copy of each of which is incorporated herein by reference, and the execution and delivery by the Mayor of the Agreements, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Bonds shall be \$420,000 (100% of par value).

Section 4. Section 4.03 of the Bond Ordinance shall be amended by adding thereto the following:

"A.(7) Beginning thirteen (13) months prior to the first date of payment of principal of the Supplemental Bonds, to provide debt service on the Supplemental Bonds by depositing in a sinking fund one-twelfth (1/12) of the principal payment next coming due on the Supplemental Bonds.

A.(8) If the Supplemental Reserve Account was not funded concurrently with the issuance thereof in an amount equal to the Supplemental Reserve Requirement, by depositing in the Supplemental Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Supplemental Reserve Account at the Supplemental Reserve Requirement or, if the Supplemental Reserve Account

has been so funded (whether by monthly deposits or otherwise), any amount necessary to maintain the Supplemental Reserve Account at the Supplemental Reserve Requirement.

H. Provide funds for other legal purposes of the System, including payment of a debt service on other obligations junior, subordinate and inferior to the Local Bonds."

Section 5. The Supplemental Bonds are payable from and secured by a pledge of and a lien on the net revenues of the System which lien is junior, subordinate and inferior to that of the Local Bonds.

Section 6. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Supplemental Reserve Account" means the Supplemental Reserve Account as required and defined by the Loan Agreement, and is created by this Supplemental Ordinance.

"Supplemental Reserve Requirements" means the Supplemental Reserve Requirements as required and defined by the Loan Agreement, and is created by this Supplemental Ordinance.

"Supplemental Sinking Fund" means the Supplemental Sinking Fund as required and defined by the Loan Agreement, and is created by this Supplemental Ordinance.

Section 7. Section 9.01 of the Bond Ordinance adopted April 28, 1986 shall be amended and restated as follows:

"Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of Bonds Number R-1 or R-2, the principal of and interest due or to become due thereon on either Bond, at the times and in the manner stipulated therein and in this Bond Legislation, then the respective pledge of Net Revenues, and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied."

Section 8. The Issuer directs that approximately \$65,000 be deposited with the Municipal Bond Commission as Capitalized Interest (for the construction period plus six months).

Section 9. The Issuer shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%)

of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental Bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing.

Section 10. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar and Paying Agent for the Bonds and does approve and accept the Registrar's Agreement dated as of May 30, 1986, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Mayor of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 11. All the general covenants made in the Ordinance apply to the Supplemental Bonds as well as the Local Bonds.

Section 12. The lien of the Holder of the Local Bonds on the Bond Construction Trust Fund is superior to the lien of the Holder of the Supplemental Bonds.

Section 13. In addition to the covenants contained in the Bond Ordinance the Issuer further covenants that the schedule

of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by Local Bond proceeds with respect to the Local Bonds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), as the case may be, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and any such prior or parity obligations.

Section 14. The Issuer does hereby appoint the Kanawha Valley Bank, N.A., Charleston, West Virginia and the Bank of

Marlinton, Marlinton, West Virginia as Depository Banks under the Bond Ordinance.

Section 15. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about May 30, 1986, to the Authority pursuant to the Loan Agreements.

Section 16. The financing of the Project by the Bond is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

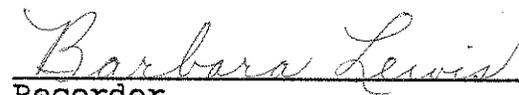
Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 27th day of May, 1986.

TOWN OF HILLSBORO



Mayor



Recorder

3

WDA-5
(November 1985)

RECEIVED

APR 10 1986

WATER DEVELOPMENT AUTHORITY

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985 (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the consulting engineer designated in the Application and any successor thereto.

1.3 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.4 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.5 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with a portion of the proceeds of its water development revenue bonds, all in accordance with the provisions of this Loan Agreement.

1.6 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.7 "Project" means the water development project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.8 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.9 "System" means the water development project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.10 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized representatives, 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, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project and the administration of the Loan or of State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (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 Governmental Agency, the prime contractor and all subcontractors, as their interests may appear.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount

and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Local Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

(f) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(g) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate, of such person or firm and in form and substance satisfactory to the Authority, to such effect and evidence satisfactory to it of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make

the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than five (5) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

Local Bonds; Security for Loan;
Repayment of Loan; Interest on Loan;
Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official

action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the

revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs); and

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency shall not authorize redemption of any Local Bonds by it without the written consent of the Authority and otherwise in compliance with this Loan Agreement.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit A.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a semiannual basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on

Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses and fees paid to the trustee and paying agents for the water development revenue bonds. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.7 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

ARTICLE V

Certain Covenants of the Governmental Agency;
Imposition and Collection of User Charges;
Payments To Be Made by
Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as

set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency 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 of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount

to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

6.3 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time provided, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of this Loan Agreement.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedules X, Y and Z shall be attached to this Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all

Attest:

Date: April 8, 1986

Barbara Lewis
Its Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By Edgar M. Leary
Director

Attest:

Date: 4/24/86

Daniel B. Gombash
Secretary-Treasurer

WDA-5X
(August 1985)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ _____
Purchase Price of Local Bonds \$ _____

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semi-annual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of ____% per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to source of and security for payment with the following obligations:

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations:

EXHIBIT 1
DEBT SERVICE SCHEDULE

TABLE I

TOWN OF HILLSBOROUGH
Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	-----1985 Series A Bonds-----					Total
	Coupon	Principal	Interest	Debt Service	Zero Coupon Bonds	
1986	9.75%	0.00	9,264.88	9,264.88	0.00	9,264.88
1987	9.75%	0.00	27,339.00	27,339.00	0.00	27,339.00
1988	9.75%	821.00	27,399.00	28,220.00	3,673.84	31,893.84
1989	9.75%	901.00	27,258.95	28,159.95	3,673.68	31,833.63
1990	9.75%	989.00	27,171.11	28,160.11	3,673.68	31,833.79
1991	9.75%	1,085.00	27,074.68	28,159.68	3,673.68	31,833.36
1992	9.75%	1,191.00	26,968.89	28,159.89	3,673.68	31,833.57
1993	9.75%	1,307.00	26,852.77	28,159.77	3,673.68	31,833.45
1994	9.75%	1,434.00	26,725.34	28,159.34	3,673.68	31,833.02
1995	9.75%	1,574.00	26,585.52	28,159.52	3,673.68	31,833.20
1996	9.75%	1,728.00	26,432.06	28,160.06	3,673.68	31,833.74
1997	9.75%	1,896.00	26,263.58	28,159.58	3,673.68	31,833.26
1998	9.75%	2,081.00	26,078.72	28,159.72	3,673.68	31,833.40
1999	9.75%	2,284.00	25,875.82	28,159.82	3,673.68	31,833.50
2000	9.75%	2,507.00	25,653.13	28,160.13	3,673.68	31,833.81
2001	9.75%	2,751.00	25,408.70	28,159.70	3,673.68	31,833.38
2002	9.75%	3,019.00	25,140.47	28,159.47	3,673.68	31,833.15
2003	9.75%	3,314.00	24,846.12	28,160.12	3,673.68	31,833.80
2004	9.75%	3,637.00	24,523.01	28,160.01	3,673.68	31,833.69
2005	9.75%	3,991.00	24,168.40	28,159.40	3,673.68	31,833.08
2006	9.75%	4,381.00	23,779.28	28,160.28	3,673.68	31,833.96
2007	9.75%	4,808.00	23,352.13	28,160.13	3,673.68	31,833.81
2008	9.75%	5,277.00	22,883.35	28,160.35	3,673.68	31,834.03
2009	9.75%	5,791.00	22,368.84	28,159.84	3,673.68	31,833.52
2010	9.75%	6,356.00	21,804.22	28,160.22	3,673.68	31,833.90
2011	9.75%	6,975.00	21,184.51	28,159.51	3,673.68	31,833.19
2012	9.75%	7,655.00	20,504.45	28,159.45	3,673.68	31,833.13
2013	9.75%	8,402.00	19,758.08	28,160.08	3,673.68	31,833.76
2014	9.75%	9,221.00	18,938.89	28,159.89	3,673.68	31,833.57
2015	9.75%	10,120.00	18,039.84	28,159.84	3,673.68	31,833.52
2016	9.75%	11,107.00	17,053.14	28,160.14	3,673.68	31,833.82
2017	9.75%	12,190.00	15,970.21	28,160.21	3,673.68	31,833.89
2018	9.75%	13,378.00	14,781.68	28,159.68	3,673.68	31,833.36
2019	9.75%	14,682.00	13,477.33	28,159.33	3,673.68	31,833.01
2020	9.75%	16,114.00	12,045.83	28,159.83	3,673.68	31,833.51
2021	9.75%	17,685.00	10,474.72	28,159.72	3,673.68	31,833.40
2022	9.75%	19,409.00	8,750.43	28,159.43	3,673.68	31,833.11
2023	9.75%	21,302.00	6,858.05	28,160.05	3,673.68	31,833.73
2024	9.75%	23,379.00	4,781.11	28,160.11	3,673.68	31,833.79
2025	9.75%	25,658.00	2,501.66	28,159.66	3,673.68	31,833.34
		280,400.00	826,337.90	1,106,737.90	139,600.00	1,246,337.90

Smith Barney, Harris Upham & Co.
Incorporated

May 7, 1986

TABLE II

TOWN OF HILLSBOROUGH
Analysis of 7.00% Borrowing Cost for Local Issuer

-----1985 Series A Bonds-----

Period Ending 10/1	Coupon	Principal	Interest	Debt Service
1986	9.75%	0.00	9,264.88	9,264.88
1987	9.75%	0.00	27,339.00	27,339.00
1988	9.75%	821.00	27,399.00	28,220.00
1989	9.75%	901.00	27,258.95	28,159.95
1990	9.75%	989.00	27,171.11	28,160.11
1991	9.75%	1,085.00	27,074.68	28,159.68
1992	9.75%	1,191.00	26,968.89	28,159.89
1993	9.75%	1,307.00	26,852.77	28,159.77
1994	9.75%	1,434.00	26,725.34	28,159.34
1995	9.75%	1,574.00	26,585.52	28,159.52
1996	9.75%	1,728.00	26,432.06	28,160.06
1997	9.75%	1,896.00	26,263.58	28,159.58
1998	9.75%	2,081.00	26,078.72	28,159.72
1999	9.75%	2,284.00	25,875.82	28,159.82
2000	9.75%	2,507.00	25,653.13	28,160.13
2001	9.75%	2,751.00	25,408.70	28,159.70
2002	9.75%	3,019.00	25,140.47	28,159.47
2003	9.75%	3,314.00	24,846.12	28,160.12
2004	9.75%	3,637.00	24,523.01	28,160.01
2005	9.75%	3,991.00	24,168.40	28,159.40
2006	9.75%	4,381.00	23,779.28	28,160.28
2007	9.75%	4,808.00	23,352.13	28,160.13
2008	9.75%	5,277.00	22,883.35	28,160.35
2009	9.75%	5,791.00	22,368.84	28,159.84
2010	9.75%	6,356.00	21,804.22	28,160.22
2011	9.75%	6,975.00	21,184.51	28,159.51
2012	9.75%	7,655.00	20,504.45	28,159.45
2013	9.75%	8,402.00	19,758.08	28,160.08
2014	9.75%	9,221.00	18,938.89	28,159.89
2015	9.75%	10,120.00	18,039.84	28,159.84
2016	9.75%	11,107.00	17,053.14	28,160.14
2017	9.75%	12,190.00	15,970.21	28,160.21
2018	9.75%	13,378.00	14,781.68	28,159.68
2019	9.75%	14,682.00	13,477.33	28,159.33
2020	9.75%	16,114.00	12,045.83	28,159.83
2021	9.75%	17,685.00	10,474.72	28,159.72
2022	9.75%	19,409.00	8,750.43	28,159.43
2023	9.75%	21,302.00	6,858.05	28,160.05
2024	9.75%	23,379.00	4,781.11	28,160.11
2025	9.75%	25,658.00	2,501.66	28,159.66
		280,400.00	826,337.90	1,106,737.90

Smith Barney, Harris Upham & Co.
Incorporated

May 7, 1986

TABLE III

TOWN OF HILLSBOROUGH
 Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	0.00
1988	3,673.84
1989	3,673.68
1990	3,673.68
1991	3,673.68
1992	3,673.68
1993	3,673.68
1994	3,673.68
1995	3,673.68
1996	3,673.68
1997	3,673.68
1998	3,673.68
1999	3,673.68
2000	3,673.68
2001	3,673.68
2002	3,673.68
2003	3,673.68
2004	3,673.68
2005	3,673.68
2006	3,673.68
2007	3,673.68
2008	3,673.68
2009	3,673.68
2010	3,673.68
2011	3,673.68
2012	3,673.68
2013	3,673.68
2014	3,673.68
2015	3,673.68
2016	3,673.68
2017	3,673.68
2018	3,673.68
2019	3,673.68
2020	3,673.68
2021	3,673.68
2022	3,673.68
2023	3,673.68
2024	3,673.68
2025	3,673.68

	139,600.00

Smith Barney, Harris Upham & Co.
 Incorporated

May 7, 1986

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Reserve Account at the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;
- (iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account;
- (iv) to provide debt service on and requisite reserves for any subordinate indebtedness of the Governmental Agency held or owned by the Authority; and
- (v) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.
2. "Local Statute" means Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended.
3. "System" means the works for the collection and/or treatment, purification and disposal of sewage, in its entirety or any integral part thereof, owned by the Governmental Agency and under the supervision and control of a sanitary board, and any extensions, improvements or betterments thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Department of Natural Resources and EPA.
2. The Governmental Agency agrees that it will permit the EPA to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.
3. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Department of Natural Resources and approval of the "Part B" supplement to its EPA grant agreement.
4. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the event the Governmental Agency owns a water facility (the "Water System"), the Water System to all users of services of the System

delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

5. To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

6. Subject to any prior or parity obligations described in Schedules X and Y attached to the Loan Agreement, the net revenues derived from the operation of the System are pledged to the payment of the principal of and interest on the Local Bonds.

9

RECEIVED

APR 10 1986

WDA-Supp. 5
(November 1985)

WATER DEVELOPMENT AUTHORITY

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement").

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefore, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.3 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Supplemental Bonds.

1.4 "Supplemental Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Supplemental Bonds, as hereinafter defined, pursuant to this Supplemental Loan Agreement.

1.5 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

1.6 Additional terms and phrases are defined in this Supplemental Loan Agreement as they are used.

1.7 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Supplemental Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all

reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority in respect of the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized representatives, 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, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project and the administration of the Supplemental Loan or of State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (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 Governmental Agency, the prime contractor and all subcontractors, as their interests may appear.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Supplemental Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

ARTICLE III

Conditions to Supplemental Loan; Issuance of Supplemental Bonds

3.1 The agreement of the Authority to make the Supplemental Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Supplemental Bonds, which shall be the date established pursuant to Section 3.4 of the Loan Agreement for delivery of the Local Bonds. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Supplemental Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Supplemental Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

(f) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(g) The net proceeds of the Supplemental Bonds, together with the net proceeds of the Local Bonds and all other moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate, of such person or firm and in form and substance satisfactory to the Authority, to such effect and evidence satisfactory to it of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Supplemental Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Supplemental

Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Supplemental Loan shall be secured and shall be repaid in the manner hereinafter provided in this Supplemental Loan Agreement.

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority, simultaneously with the delivery of the Local Bond to the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Supplemental Loan Agreement and the Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan;
Repayment of Supplemental Loan; No Interest on
Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and

incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Supplemental Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by Local Bond proceeds with respect to the Local Bonds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), as the case may be, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds and Supplemental Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental Bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Supplemental Bonds, the right to obtain the appointment of a receiver to administer the System as provided by law, subject to the prior and senior rights of the owner or owners of the Local Bonds;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Supplemental Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Supplemental Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Supplemental Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs), provided that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon; and

(xv) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Supplemental Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Supplemental Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to the prior and senior security therefrom for the Local Bonds and to such reservations and exceptions as are

described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Supplemental Program, which administrative expenses shall be as determined by the Authority.

ARTICLE V

Certain Covenants of the Governmental Agency;
Imposition and Collection of User Charges;
Payments To Be Made by
Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Supplemental Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Supplemental Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Supplemental Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section

4.6 hereof, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render negatory such actions of the Authority in the due and prompt implementation of this Supplemental Loan Agreement.

6.2 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Supplemental Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time provided, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Supplemental Loan and receiving the Supplemental Bonds, the Authority shall have the right to cancel all or any of its obligations under this Supplemental Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan or the Supplemental Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Loan Agreement or this Supplemental Loan Agreement.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Supplemental Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Supplemental Loan Agreement.

7.2 Schedules X, Y and Z shall be attached to this Supplemental Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Supplemental Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Supplemental Loan Agreement, and this Supplemental Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Supplemental Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Supplemental Loan Agreement.

7.5 No waiver by either party of any term or condition of this Supplemental Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Supplemental Loan Agreement.

7.6 This Supplemental Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Supplemental Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Supplemental Loan Agreement, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental Bonds to the Authority and that such obligation may be specifically

enforced or subject to a similar equitable remedy by the Authority.

7.8 This Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

(ii) termination by the Authority pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of the Supplemental Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Governmental Agency, but this Supplemental Loan Agreement shall not be binding on the Authority until executed by it.

TOWN OF HILLSBORO
[Proper Name of Governmental Agency]

(SEAL)

By

John Kinnaman
Its Mayor

Attest:

Date: April 8, 1986

Barbara Lewis
Its Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By

Edgar H. Henry
Director

Attest:

Date: 4/24/86

Daniel B. Wankel
Secretary-Treasurer

WDA-Supp. 5X
(November 1985)

SCHEDULE X
DESCRIPTION OF SUPPLEMENTAL BONDS

Principal Amount of Supplemental Bonds \$ _____

Purchase Price of Supplemental Bonds \$ _____

Principal of the Supplemental Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

As of the date of the Supplemental Loan Agreement, the Supplemental Bonds are subordinate as to source of and security for payment to the following obligations, other than the Local Bonds:

EXHIBIT 1

DEBT SERVICE SCHEDULE

TABLE I

TOWN OF HILLSBOROUGH
Analysis of 7.00% Borrowing Cost for Local Issuer

-----1985 Series A Bonds-----						
Period Ending 10/1	Coupon	Principal	Interest	Debt Service	Zero Coupon Bonds	Total
1986	9.75%	0.00	9,264.88	9,264.88	0.00	9,264.88
1987	9.75%	0.00	27,339.00	27,339.00	0.00	27,339.00
1988	9.75%	821.00	27,399.00	28,220.00	3,673.84	31,893.84
1989	9.75%	901.00	27,258.95	28,159.95	3,673.68	31,833.63
1990	9.75%	989.00	27,171.11	28,160.11	3,673.68	31,833.79
1991	9.75%	1,085.00	27,074.68	28,159.68	3,673.68	31,833.36
1992	9.75%	1,191.00	26,968.89	28,159.89	3,673.68	31,833.57
1993	9.75%	1,307.00	26,852.77	28,159.77	3,673.68	31,833.45
1994	9.75%	1,434.00	26,725.34	28,159.34	3,673.68	31,833.02
1995	9.75%	1,574.00	26,585.52	28,159.52	3,673.68	31,833.20
1996	9.75%	1,728.00	26,432.06	28,160.06	3,673.68	31,833.74
1997	9.75%	1,896.00	26,263.58	28,159.58	3,673.68	31,833.26
1998	9.75%	2,081.00	26,078.72	28,159.72	3,673.68	31,833.40
1999	9.75%	2,284.00	25,875.82	28,159.82	3,673.68	31,833.50
2000	9.75%	2,507.00	25,653.13	28,160.13	3,673.68	31,833.81
2001	9.75%	2,751.00	25,408.70	28,159.70	3,673.68	31,833.38
2002	9.75%	3,019.00	25,140.47	28,159.47	3,673.68	31,833.15
2003	9.75%	3,314.00	24,846.12	28,160.12	3,673.68	31,833.80
2004	9.75%	3,637.00	24,523.01	28,160.01	3,673.68	31,833.69
2005	9.75%	3,991.00	24,168.40	28,159.40	3,673.68	31,833.08
2006	9.75%	4,381.00	23,779.28	28,160.28	3,673.68	31,833.96
2007	9.75%	4,808.00	23,352.13	28,160.13	3,673.68	31,833.81
2008	9.75%	5,277.00	22,883.35	28,160.35	3,673.68	31,834.03
2009	9.75%	5,791.00	22,368.84	28,159.84	3,673.68	31,833.52
2010	9.75%	6,356.00	21,804.22	28,160.22	3,673.68	31,833.90
2011	9.75%	6,975.00	21,184.51	28,159.51	3,673.68	31,833.19
2012	9.75%	7,655.00	20,504.45	28,159.45	3,673.68	31,833.13
2013	9.75%	8,402.00	19,758.08	28,160.08	3,673.68	31,833.76
2014	9.75%	9,221.00	18,938.89	28,159.89	3,673.68	31,833.57
2015	9.75%	10,120.00	18,039.84	28,159.84	3,673.68	31,833.52
2016	9.75%	11,107.00	17,053.14	28,160.14	3,673.68	31,833.82
2017	9.75%	12,190.00	15,970.21	28,160.21	3,673.68	31,833.89
2018	9.75%	13,378.00	14,781.68	28,159.68	3,673.68	31,833.36
2019	9.75%	14,682.00	13,477.33	28,159.33	3,673.68	31,833.01
2020	9.75%	16,114.00	12,045.83	28,159.83	3,673.68	31,833.51
2021	9.75%	17,685.00	10,474.72	28,159.72	3,673.68	31,833.40
2022	9.75%	19,409.00	8,750.43	28,159.43	3,673.68	31,833.11
2023	9.75%	21,302.00	6,858.05	28,160.05	3,673.68	31,833.73
2024	9.75%	23,379.00	4,781.11	28,160.11	3,673.68	31,833.79
2025	9.75%	25,658.00	2,501.66	28,159.66	3,673.68	31,833.34
		280,400.00	826,337.90	1,106,737.90	139,600.00	1,246,337.90

Smith Barney, Harris Upham & Co.
Incorporated

May 7, 1986

TABLE II

TOWN OF HILLSBOROUGH
Analysis of 7.00% Borrowing Cost for Local Issuer

-----1985 Series A Bonds-----

Period Ending 10/1	Coupon	Principal	Interest	Debt Service
1986	9.75%	0.00	9,264.88	9,264.88
1987	9.75%	0.00	27,339.00	27,339.00
1988	9.75%	821.00	27,399.00	28,220.00
1989	9.75%	901.00	27,258.95	28,159.95
1990	9.75%	989.00	27,171.11	28,160.11
1991	9.75%	1,085.00	27,074.68	28,159.68
1992	9.75%	1,191.00	26,968.89	28,159.89
1993	9.75%	1,307.00	26,852.77	28,159.77
1994	9.75%	1,434.00	26,725.34	28,159.34
1995	9.75%	1,574.00	26,585.52	28,159.52
1996	9.75%	1,728.00	26,432.06	28,160.06
1997	9.75%	1,896.00	26,263.58	28,159.58
1998	9.75%	2,081.00	26,078.72	28,159.72
1999	9.75%	2,284.00	25,875.82	28,159.82
2000	9.75%	2,507.00	25,653.13	28,160.13
2001	9.75%	2,751.00	25,408.70	28,159.70
2002	9.75%	3,019.00	25,140.47	28,159.47
2003	9.75%	3,314.00	24,846.12	28,160.12
2004	9.75%	3,637.00	24,523.01	28,160.01
2005	9.75%	3,991.00	24,168.40	28,159.40
2006	9.75%	4,381.00	23,779.28	28,160.28
2007	9.75%	4,808.00	23,352.13	28,160.13
2008	9.75%	5,277.00	22,883.35	28,160.35
2009	9.75%	5,791.00	22,368.84	28,159.84
2010	9.75%	6,356.00	21,804.22	28,160.22
2011	9.75%	6,975.00	21,184.51	28,159.51
2012	9.75%	7,655.00	20,504.45	28,159.45
2013	9.75%	8,402.00	19,758.08	28,160.08
2014	9.75%	9,221.00	18,938.89	28,159.89
2015	9.75%	10,120.00	18,039.84	28,159.84
2016	9.75%	11,107.00	17,053.14	28,160.14
2017	9.75%	12,190.00	15,970.21	28,160.21
2018	9.75%	13,378.00	14,781.68	28,159.68
2019	9.75%	14,682.00	13,477.33	28,159.33
2020	9.75%	16,114.00	12,045.83	28,159.83
2021	9.75%	17,685.00	10,474.72	28,159.72
2022	9.75%	19,409.00	8,750.43	28,159.43
2023	9.75%	21,302.00	6,858.05	28,160.05
2024	9.75%	23,379.00	4,781.11	28,160.11
2025	9.75%	25,658.00	2,501.66	28,159.66
		280,400.00	826,337.90	1,106,737.90

Smith Barney, Harris Upham & Co.
Incorporated

May 7, 1986

TABLE III

TOWN OF HILLSBOROUGH
Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	0.00
1988	3,673.84
1989	3,673.68
1990	3,673.68
1991	3,673.68
1992	3,673.68
1993	3,673.68
1994	3,673.68
1995	3,673.68
1996	3,673.68
1997	3,673.68
1998	3,673.68
1999	3,673.68
2000	3,673.68
2001	3,673.68
2002	3,673.68
2003	3,673.68
2004	3,673.68
2005	3,673.68
2006	3,673.68
2007	3,673.68
2008	3,673.68
2009	3,673.68
2010	3,673.68
2011	3,673.68
2012	3,673.68
2013	3,673.68
2014	3,673.68
2015	3,673.68
2016	3,673.68
2017	3,673.68
2018	3,673.68
2019	3,673.68
2020	3,673.68
2021	3,673.68
2022	3,673.68
2023	3,673.68
2024	3,673.68
2025	3,673.68
	139,600.00

Smith Barney, Harris Upham & Co.
Incorporated

May 7, 1986

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Supplemental Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

(i) as prescribed by the Loan Agreement, to pay Operating Expenses of the System;

(ii) as prescribed by the Loan Agreement, to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof, in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Reserve Account at the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) as prescribed by the Loan Agreement, to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account;

(iv) beginning thirteen (13) months prior to the first date of payment of principal of the Supplemental Bonds, to provide debt service on the Supplemental Bonds by depositing in a sinking fund one-twelfth (1/12) of the principal payment next coming due on the Supplemental Bonds and, if the Supplemental Reserve Account was not funded

concurrently with the issuance thereof in an amount equal to the Supplemental Reserve Requirement, by depositing in the Supplemental Reserve Account an amount equal to one-twelfth (1/12) of one-tenth (1/10) of the amount necessary to fund the Supplemental Reserve Account at the Supplemental Reserve Requirement or, if the Supplemental Reserve Account has been so funded (whether by monthly deposits or otherwise), any amount necessary to maintain the Supplemental Reserve Account at the Supplemental Reserve Requirement;

(v) to provide debt service on and requisite reserves for any other subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

(vi) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.
2. "Local Statute" means Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended.
3. "System" means the works for the collection and/or treatment, purification and disposal of sewage, in its entirety or any integral part thereof, owned by the Governmental Agency and under the supervision and control of a sanitary board, and any extensions, improvements or betterments thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Department of Natural Resources and EPA.
2. The Governmental Agency agrees that it will permit the EPA to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.
3. As a condition precedent to the Authority's making the Supplemental Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Department of Natural Resources and approval of the "Part B" supplement to its EPA grant agreement.
4. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the event the Governmental

Agency owns a water facility (the "Water System"), the Water System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

5. To the extent required by law, the Governmental Agency hereby covenants and agrees to secure approval of the Authority and all other State agencies having jurisdiction before applying for federal financial assistance for pollution abatement in order to maximize the amounts of such federal financial assistance received or to be received for all water development projects in the State.

6. Subject to any prior or parity obligations described in Schedules X and Y attached to the Supplemental Loan Agreement, and to the prior lien of the Local Bonds, the net revenues derived from the operation of the System are pledged to the payment of the principal of the Supplemental Bonds.

5

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: April 30, 1986

CASE NO. 86-119-S-CN

TOWN OF HILLSBORO, a municipal corporation,
Pocahontas County.
Application for a certificate of convenience
and necessity to construct and operate a sewage
collection and treatment system at Hillsboro,
Pocahontas County.

FINAL ORDER

On March 13, 1986, the Town of Hillsboro, a municipal corporation, Pocahontas County, filed an application, duly verified, for a certificate of convenience and necessity to construct and operate a sewage collection and treatment system at Hillsboro, Pocahontas County. In its application, the Town of Hillsboro indicated that the proposed construction will cost approximately \$1,784,182, and will be financed through a combination of grants and a loan. The application indicated that a sewage collection and treatment system is needed to protect and promote the public health in the Town of Hillsboro and that present septic systems are failing and the water quality is declining.

Along with the application, the Town of Hillsboro submitted a Rule 42 Exhibit, a copy of WV/NPDES Water Pollution Control Permit No. WV0054283, dated July 5, 1985, issued to the Town of Hillsboro. The Town pointed out that the Commission already had on file a facility plan; a Grant Approval Letter dated September 9, 1983, from the Appalachian Regional Commission, showing the amount of the Appalachian Regional Commission and Environmental Protection Agency Grants; and Department of Natural Resources Approval Letters dated September 14, 1983, showing DNR approval of the

plans and specifications and of the facility plan, along with maps of the Town of Hillsboro and adjacent property showing which residents outside the town limits have signed Sewer User Agreements and indicating that all residents within the town limits will have to take sewer service pursuant to a municipal ordinance. This information had previously been filed with the Commission in Case No. 85-266-S-CN.

By Order entered on March 13, 1986, the Town was ordered to give notice of the filing of the application by publishing a copy of the Commission Order one time in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Pocahontas County, making due return to the Commission of proper certification of publication immediately thereafter. Anyone desiring to make written objection to the application was given leave to do so, within thirty (30) days after the publication of said notice. It was further noted in that Order that, if no protests were received within the thirty (30) day period, the Commission could waive formal hearing and grant the application of the Town of Hillsboro based upon the evidence submitted with the application and the Commission's review thereof. On April 7, 1986, the Town of Hillsboro submitted a Certificate of Publication from The Pocahontas Times, Marlinton, West Virginia, indicating that notice was given as required on March 27, 1986. The thirty (30) days within which to make written protest to the application expires on April 26, 1986, and, as of the date of this Order, no written protests have been received to the application filed by the Town of Hillsboro.

All of the Operating Divisions of the Commission have had an opportunity to review this filing and, by Memoranda filed on March 27, 1986, April 7, 1986, and April 10, 1986, the Commission's Finance and Special

Studies, Engineering and Legal Divisions submitted their recommendations in this proceeding. The Finance and Special Studies Memorandum indicated that the system will serve 141 residential and 17 commercial customers and that all potential customers are currently provided water service from individual wells. The Finance and Special Studies Division broke down the proposed construction cost of \$1,784,182 and the proposed financing, including grants from the Pocahontas County Commission, the Environmental Protection Agency, the Appalachian Regional Commission and the Water Development Authority, as well as a bond loan from the Water Development Authority at 7% interest for 37 years. Letters of Commitment for all sources of funding accompanied the application. The Finance and Special Studies Division further indicated that the proposed flat rate of \$19.75 per month appeared to be adequate to cover the revised estimated operating expenses and debt service. The Finance and Special Studies Division recommended approval of the application without hearing.

The Engineering Division Memorandum also recommended approval of the project, without hearing, because the Engineer assigned to the project feels that the need for the project outweighs the potential customer reaction to a small rate increase that he feels may be necessary, soon after the system goes into operation, to recover a small deficit in what he estimates to be the actual amount for operating and maintenance expenses, which is different from the amount contained in the Rule 42 Exhibit filed by the Town.

The Legal Division also recommended that a certificate be granted to the Town of Hillsboro, but recommended that the certificate not be granted until the Town of Hillsboro had duly passed and enacted a Municipal Rate

Ordinance, reflecting the proposed flat rate of \$19.75 per residential customers and the proposed commercial rates.

The most recent information provided to Staff indicates that, based upon the recent bids on the project, the revised project cost will be \$1,696,273 and will be funded through an Environmental Protection Agency Grant of \$1,062,070, an Appalachian Regional Commission Grant of \$42,060, a Pocahontas County Commission Grant in the amount of \$75,000, a Water Development Authority Grant in the amount of \$195,052, and a Water Development Authority Loan in the amount of \$322,091. Additionally, the Town has submitted information to the Commission indicating that a Municipal Ordinance was duly enacted on April 22, 1986, reflecting the proposed flat rate of \$19.75 per residential customer per month and the proposed rates for commercial customers.

Upon consideration of all of the above, the Hearing Examiner is of the opinion that a certificate of convenience and necessity should be granted to the Town of Hillsboro, for the construction and operation of a sewage collection and treatment system at Hillsboro, Pocahontas County, as requested. The public convenience and necessity appear to require the proposed project, through the evaluation of the project by the Environmental Protection Agency, the Appalachian Regional Commission, the Water Development Authority and the Department of Natural Resources, with the resulting provision of grants and loans and through the awarding of the WV/NPDES Water Pollution Control Permit. Additionally, the Department of Natural Resources has reviewed the facility plan and the plans and specifications for the project, as has the Engineering Division of the Public Service Commission, and both the Engineering Division of the Public Service Commission and the Department of Natural Resources indicate their

approval of the plans and specifications for the project. Further, the project appears to be economically feasible, since there are Letters of Commitment from all funding sources indicating that the full cost of construction of the project has been covered and the Town has duly enacted a Municipal Rate Ordinance, which rates, upon review by the Finance and Special Studies Division, appear to be reasonably calculated to provide sufficient revenues to operate the system. Finally, the public in the area has indicated its support for the project by not protesting the application, after the application was duly published in a local newspaper.

FINDINGS OF FACT

1. The Town of Hillsboro has been granted a WV/NPDES Water Pollution Control Permit for the construction of a sewage collection system in the Town of Hillsboro. (See, Application).

2. The Town of Hillsboro has received Letters of Commitment of Funding from the Environmental Protection Agency, the Appalachian Regional Commission, the Pocahontas County Commission, and the Water Development Authority, which Letters of Commitment indicate adequate funding to cover the entire cost of construction. (See, Application and Attachments thereto, Approval Letters filed in Case No. 85-266-S-CN and Attachment 1 in the materials submitted on March 17, 1986).

3. The application filed by the Town of Hillsboro has been duly published as required by Commission Order and no protests have been filed to the granting of the application. (See, case file generally).

4. The Town of Hillsboro enacted a Municipal Ordinance reflecting the proposed rates and charges for residential and commercial customers on April 22, 1986.

CONCLUSION OF LAW

A certificate of convenience and necessity should be granted to the Town of Hillsboro for the construction and operation of a sewage collection and treatment system at Hillsboro, Pocahontas County, since the public convenience and necessity require the issuance of the certificate, because the project appears to be economically feasible and since the Town of Hillsboro has complied with all requirements of the Public Service Commission.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity to construct and operate a sewage collection and treatment system at Hillsboro, Pocahontas County, filed by the Town of Hillsboro on March 13, 1986, be, and it hereby is, granted.

IT IS FURTHER ORDERED that the financing arrangements set forth in the application, as most recently revised by information submitted on March 17, 1986, be, and they hereby are, approved.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this Order upon all parties to this proceeding by United States First Class Mail and upon Commission Staff by hand delivery.

This order is issued pursuant to General Order No. 212, dated December 16, 1982, which order designates the Division of Hearing Examiners as the initial decision making body in the Public Service Commission and

authorizes the Public Service Commission Hearing Examiners to issue orders on behalf of the Commission in all proceedings filed pursuant to Chapter 24 of the West Virginia Code, which proceedings are not set for hearing and which orders shall have the full force and effect of Commission orders, without the provision for the filing of exceptions thereto.

Leave is hereby granted to the parties to file a petition for further hearing, reopening, or rehearing pursuant to Rule 19 of the Commission's Rules of Practice and Procedure with the Executive Secretary of the Commission within ten (10) days after the date this order is mailed.



Melissa K. Marland
Hearing Examiner

MKM:jas

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 28, 1986

CASE NO. 86-119-S-CN

TOWN OF HILLSBORO, a municipal
corporation, Pocahontas County.

Application for a certificate of convenience
and necessity to construct and operate a sewage
collection and treatment system at Hillsboro,
Pocahontas County.

CORRECTIVE ORDER

By order entered on April 30, 1986, this Hearing Examiner granted a certificate of convenience and necessity to the Town of Hillsboro, for the construction and operation of a sewage collection and treatment system at Hillsboro, Pocahontas County. Additionally, the Hearing Examiner approved the financing arrangements set forth in the application, as most recently revised by information submitted on March 17, 1986.

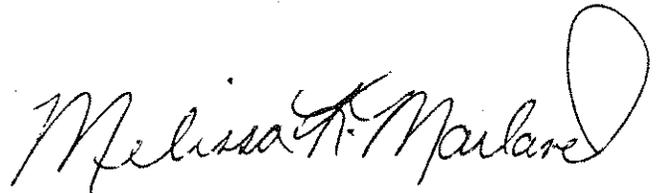
In the body of the order, at page 4, the Hearing Examiner set forth the information that had been provided to her by Commission Staff with regard to the project cost and the various loans and grants which would be utilized to finance the project. One of the sources of funding for the project is a Water Development Authority Loan and, according to information provided to the Hearing Examiner, the loan was to be in the amount of \$322,091. It has subsequently been brought to the Hearing Examiner's attention that the actual loan amount from the Water Development Authority is \$420,000, as set forth in the original application filed in this proceeding.

Upon consideration whereof, the Hearing Examiner is of the opinion that the amount of \$322,091 set forth on page 4 of the order of April 30,

1986, should be changed, to reflect the correct amount of the Water Development Authority Loan of \$420,000.

IT IS, THEREFORE, ORDERED that the Final Order issued on April 30, 1986, be, and it hereby is, corrected, to reflect the actual amount of the Water Development Authority Loan which is being used to partially finance the project, substituting \$420,000 in lieu of the \$322,091 figure set forth on page 4 of the order of April 30, 1986.

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this order upon all parties to this proceeding by United States First Class Mail and upon Commission Staff by hand delivery.



Melissa K. Marland
Hearing Examiner

MKM:mal

TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, Daniel B. Yonkosky, Secretary-Treasurer of West Virginia Water Development Authority, for and on behalf of West Virginia Water Development Authority (the "Authority") and John Kinnison, Mayor of the Town of Hillsboro (the "Governmental Agency"), hereby certify as follows:

1. On the 2nd day of June, 1986, the Authority received the entire original issue of \$420,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 of the Governmental Agency (the "Governmental Agency Bonds"). The Governmental Agency Bonds, as so received on original issuance, are dated May 30, 1986, and are issued as two bonds, numbered R-1 in the original principal amount of \$280,400 and R-2 in the original principal amount of \$139,600.

2. At the time of such receipt of the Governmental Agency Bonds upon original issuance, the Governmental Agency Bond numbered R-1 and R-2 had been executed by John Kinnison, as Mayor of the Governmental Agency, by his manual signature, and by Barbara Lewis, as Recorder for the Governmental Agency, by her manual signature, and the official seal of the Governmental

Agency had been imprinted upon the Governmental Agency Bonds.

3. The Governmental Agency has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Governmental Agency Bonds, of the proceeds of the Local Bonds in the amount of \$280,400 (100% of par). The authority acknowledges that it is indebted to the Issuer for \$139,600, the amount of the Supplemental Bond.

Payment for the Governmental Agency Bond as made in the amount of \$280,400.

IN WITNESS WHEREOF, Daniel B. Yonkosky, duly signed and delivered this receipt on behalf of West Virginia Water Development Authority and Town of Hillsboro has caused this receipt to be executed by its Mayor, as of this 30th day of May, 1986.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Daniel B. Yonkosky
Its Secretary-Treasurer

TOWN OF HILLSBORO

By: John Danner
Its Mayor

TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

DIRECTION TO AUTHENTICATE AND DELIVER BOND

Kanawha Valley Bank, N.A.
Charleston, West Virginia

Gentlemen:

There are delivered to you herewith:

(1) Bonds No. R-1 and R-2, constituting the entire original issue of Town of Hillsboro Sewer Revenue Bonds, Series 1986, dated May 30, 1986, in the aggregate principal amount of \$420,000 (the "Governmental Agency Bonds") executed by the Mayor and Recorder of Town of Hillsboro (the "Governmental Agency") and bearing the official seal of the Governmental Agency, authorized to be issued under and pursuant to a Bond Ordinance and Supplemental Ordinance duly adopted by the Governmental Agency (collectively, the "Local Act");

(2) A copy of the local Act authorizing the above Governmental Agency Bond issue, duly certified by the Recorder of the Governmental Agency;

(3) An executed counterpart of the Loan Agreement and Supplemental Loan Agreement each dated April 8, 1986, by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency (the "Loan Agreement");

(4) A signed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement, the Supplemental Loan Agreement and Governmental Agency Bonds.

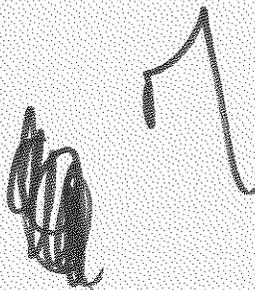
You are hereby requested and authorized to deliver the Governmental Agency Bonds to the Authority upon payment to the account of the Governmental Agency of the sum of \$420,000, representing the agreed purchase price of the Governmental Agency Bonds. Prior to such delivery of the Governmental Agency Bonds, you will please cause the Governmental Agency Bonds to be authenticated by an authorized officer, as Governmental Agency

Bonds Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 30th day of May, 1986.

TOWN OF HILLSBORO

By: John Kinnison
Its Mayor



TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, Daniel B. Yonkosky, Secretary-Treasurer of West Virginia Water Development Authority, for and on behalf of West Virginia Water Development Authority (the "Authority") and John Kinnison, Mayor of the Town of Hillsboro (the "Governmental Agency"), hereby certify as follows:

1. On the 2nd day of June, 1986, the Authority received the entire original issue of \$420,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 of the Governmental Agency (the "Governmental Agency Bonds"). The Governmental Agency Bonds, as so received on original issuance, are dated May 30, 1986, and are issued as two bonds, numbered R-1 in the original principal amount of \$280,400 and R-2 in the original principal amount of \$139,600.

2. At the time of such receipt of the Governmental Agency Bonds upon original issuance, the Governmental Agency Bond numbered R-1 and R-2 had been executed by John Kinnison, as Mayor of the Governmental Agency, by his manual signature, and by Barbara Lewis, as Recorder for the Governmental Agency, by her manual signature, and the official seal of the Governmental

Agency had been imprinted upon the Governmental Agency Bonds.

3. The Governmental Agency has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Governmental Agency Bonds, of the proceeds of the Local Bonds in the amount of \$280,400 (100% of par). The authority acknowledges that it is indebted to the Issuer for \$139,600, the amount of the Supplemental Bond.

Payment for the Governmental Agency Bond as made in the amount of \$280,400.

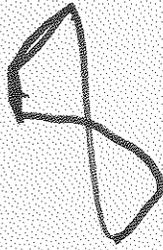
IN WITNESS WHEREOF, Daniel B. Yonkosky, duly signed and delivered this receipt on behalf of West Virginia Water Development Authority and Town of Hillsboro has caused this receipt to be executed by its Mayor, as of this 30th day of May, 1986.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Daniel B. Yonkosky
Its Secretary-Treasurer

TOWN OF HILLSBORO

By: John K. ...
Its Mayor



TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

DIRECTION TO AUTHENTICATE AND DELIVER BOND

Kanawha Valley Bank, N.A.
Charleston, West Virginia

Gentlemen:

There are delivered to you herewith:

(1) Bonds No. R-1 and R-2, constituting the entire original issue of Town of Hillsboro Sewer Revenue Bonds, Series 1986, dated May 30, 1986, in the aggregate principal amount of \$420,000 (the "Governmental Agency Bonds") executed by the Mayor and Recorder of Town of Hillsboro (the "Governmental Agency") and bearing the official seal of the Governmental Agency, authorized to be issued under and pursuant to a Bond Ordinance and Supplemental Ordinance duly adopted by the Governmental Agency (collectively, the "Local Act");

(2) A copy of the local Act authorizing the above Governmental Agency Bond issue, duly certified by the Recorder of the Governmental Agency;

(3) An executed counterpart of the Loan Agreement and Supplemental Loan Agreement each dated April 8, 1986, by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency (the "Loan Agreement");

(4) A signed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement, the Supplemental Loan Agreement and Governmental Agency Bonds.

You are hereby requested and authorized to deliver the Governmental Agency Bonds to the Authority upon payment to the account of the Governmental Agency of the sum of \$420,000, representing the agreed purchase price of the Governmental Agency Bonds. Prior to such delivery of the Governmental Agency Bonds, you will please cause the Governmental Agency Bonds to be authenticated by an authorized officer, as Governmental Agency

Bonds Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 30th day of May, 1986.

TOWN OF HILLSBORO

By: John Kerrison
Its Mayor

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UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF HILLSBORO
SEWER REVENUE BOND, SERIES 1986

No. R-1

\$280,400.00

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF HILLSBORO, a municipal corporation of the State of West Virginia in Pocahontas County hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of Two Hundred Eighty Thousand Four Hundred Dollars (\$280,400.00), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Schedule X hereto and incorporated herein by reference with interest on each installment at the rate per annum as set forth on said Schedule X.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Payee and payment therefor and until payment of such installment, and such interest shall be payable on the 1st day of April, and the 1st day of October in each year beginning October 1, 1986. The principal of this Bond is payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, through

Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar and Paying Agent (the "Registrar"). The interest on this Bond is payable by check or draft mailed to the registered owner hereof at the address as it appears on the books of the Registrar on the 15th day of the month preceding the date of payment of such interest or by such other methods as is satisfactory to the Payee and the Issuer. So long as the Payee is the registered owner, this Bond shall not be subject to redemption prior to its stated date of maturity without the written consent of the Payee and the payment of interest and redemption premium provided for in the Loan Agreement by and between the Payee and the Issuer dated April 8, 1986.

Bond is issued (i) to finance part of the cost of acquisition and construction of public sewerage facilities (the "Project") and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of any in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), a Ordinance duly adopted by the Issuer on the 28th day of April, 1986, and a Supplemental Ordinance adopted by the Issuer on the 27th day of May, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would

be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, money in the Reserve Account created under the Bond Legislation (the "Reserve Account"), and unexpended proceeds of the Bonds and is senior and superior to Bond Number R-2. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitation, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which, along with other revenues of the System, shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any fiscal year for debt service on the Bonds and all other obligations secured by or

payable from such revenues prior to or on a parity with the Bonds or, if the Reserve Account for the Bonds is funded (whether by proceeds of the Bonds, monthly deposits or otherwise) at least at the amount sufficient to pay the maximum amount of principal and interest which will become due on the Bonds in any fiscal year, and any reserve account for such prior or parity obligations is funded at least at the requirement therefor, equal to at least 110% of the amount required in any fiscal year for debt service on the Bonds and any such prior or parity obligations. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books kept for that purpose at the office of the Registrar by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Payee or its attorney duly authorized in writing.

Subject to the Registration Requirements, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform

Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project, if necessary, described in the Bond Legislation or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of any interest on this Bond.

All provisions of the Bond Legislation, ordinances and statutes under which this Bond is issued shall be deemed to be as part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, THE TOWN OF HILLSBORO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder and has caused this Bond to be dated May 30, 1986.

(SEAL)

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

KANAWHA VALLEY BANK, N.A.,
as Bond Registrar

DATED: May 30, 1986

By: _____
It Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

SCHEDULE X

TABLE II

TOWN OF HILLSBORO

Analysis of 7.00% Borrowing Cost for Local Issuer

-----1985 Series A Bonds-----

Period Ending 10/1	Coupon	Principal	Interest	Debt Service
1986	9.75%	0.00	9,036.86	9,036.86
1987	9.75%	0.00	27,339.00	27,339.00
1988	9.75%	821.00	27,399.00	28,220.00
1989	9.75%	901.00	27,258.95	28,159.95
1990	9.75%	989.00	27,171.11	28,160.11
1991	9.75%	1,085.00	27,074.68	28,159.68
1992	9.75%	1,191.00	26,968.89	28,159.89
1993	9.75%	1,307.00	26,852.77	28,159.77
1994	9.75%	1,434.00	26,725.34	28,159.34
1995	9.75%	1,574.00	26,585.52	28,159.52
1996	9.75%	1,728.00	26,432.06	28,160.06
1997	9.75%	1,896.00	26,263.58	28,159.58
1998	9.75%	2,081.00	26,078.72	28,159.72
1999	9.75%	2,284.00	25,875.82	28,159.82
2000	9.75%	2,507.00	25,653.13	28,160.13
2001	9.75%	2,751.00	25,408.70	28,159.70
2002	9.75%	3,019.00	25,140.47	28,159.47
2003	9.75%	3,314.00	24,846.12	28,160.12
2004	9.75%	3,637.00	24,523.01	28,160.01
2005	9.75%	3,991.00	24,168.40	28,159.40
2006	9.75%	4,381.00	23,779.28	28,160.28
2007	9.75%	4,808.00	23,352.13	28,160.13
2008	9.75%	5,277.00	22,883.35	28,160.35
2009	9.75%	5,791.00	22,368.84	28,159.84
2010	9.75%	6,356.00	21,804.22	28,160.22
2011	9.75%	6,975.00	21,184.51	28,159.51
2012	9.75%	7,655.00	20,504.45	28,159.45
2013	9.75%	8,402.00	19,758.08	28,160.08
2014	9.75%	9,221.00	18,938.89	28,159.89
2015	9.75%	10,120.00	18,039.84	28,159.84
2016	9.75%	11,107.00	17,053.14	28,160.14
2017	9.75%	12,190.00	15,970.21	28,160.21
2018	9.75%	13,378.00	14,781.68	28,159.68
2019	9.75%	14,682.00	13,477.33	28,159.33
2020	9.75%	16,114.00	12,045.83	28,159.83
2021	9.75%	17,685.00	10,474.72	28,159.72
2022	9.75%	19,409.00	8,750.43	28,159.43
2023	9.75%	21,302.00	6,858.05	28,160.05
2024	9.75%	23,379.00	4,781.11	28,160.11
2025	9.75%	25,658.00	2,501.66	28,159.66
		280,400.00	826,109.88	1,106,509.88

Smith Barney, Harris Upham & Co.
Incorporated

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UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF HILLSBORO
SEWER REVENUE BOND, SERIES 1986

No. R-2

\$139,600.00

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF HILLSBORO (the "Issuer"), a municipal corporation of the State of West Virginia in Pocahontas County hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority or registered assigns (the "Payee") the sum of One Hundred Thirty-Nine Thousand Six Hundred Dollars (\$139,600.00), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Schedule Y hereto and incorporated herein by reference, without interest.

The principal of this Bond (the "Supplemental Bond") is payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, through Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar and Paying Agent (the "Registrar"). So long as the Payee is the registered owner, this Bond shall not be subject to redemption prior to its stated date of maturity without the written consent of the Payee and the payment of redemption premium provided for in the Loan Agreement

by and between the Payee and the Issuer dated April 8, 1986.

This Bond is issued (i) to finance part of the cost of acquisition and construction of public sewerage facilities (the "Project") and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of any in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), a Ordinance duly adopted by the Issuer on the 28th day of April, 1986, and a Supplemental Ordinance adopted by the Issuer on the 27th day of May, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of a second lien on the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, money in the Supplemental Reserve Account created under the Bond Legislation (the "Supplemental Reserve Account"), and unexpended proceeds of the Bonds, and is junior, subordinate and inferior to that of Bond Number R-1 (the "Local Bond") . Such Net Revenues shall be sufficient to pay the principal of and interest on all

bonds which may be issued pursuant to the act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitation, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Supplemental Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by Local Bond proceeds with respect to the Local Bonds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of the principal and interest which will come due

on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), as the case may be, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and the Supplemental Bonds and any such prior or parity obligations. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books kept for that purpose at the office of the Registrar by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Payee or its attorney duly authorized in writing.

Subject to the Registration Requirements, this Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project, if necessary, described in the Bond Legislation or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the of this Bond, subject to the lien of the Local Bond holder.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of any interest on this Bond.

All provisions of the Bond Legislation, ordinances and statutes under which this Bond is issued shall be deemed to be as part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, THE TOWN OF HILLSBORO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder and has caused this Bond to be dated May 30, 1986.

(SEAL)

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

KANAWHA VALLEY BANK, N.A.,
as Bond Registrar

DATED: May 30, 1986

By: _____
It Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

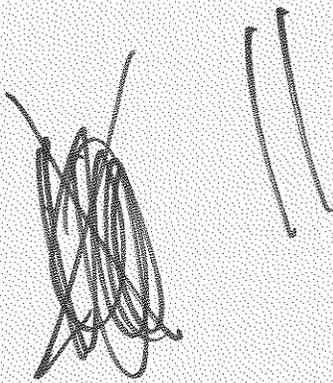
SCHEDULE Y

TABLE III

TOWN OF HILLSBORO
 Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	0.00
1988	3,673.84
1989	3,673.68
1990	3,673.68
1991	3,673.68
1992	3,673.68
1993	3,673.68
1994	3,673.68
1995	3,673.68
1996	3,673.68
1997	3,673.68
1998	3,673.68
1999	3,673.68
2000	3,673.68
2001	3,673.68
2002	3,673.68
2003	3,673.68
2004	3,673.68
2005	3,673.68
2006	3,673.68
2007	3,673.68
2008	3,673.68
2009	3,673.68
2010	3,673.68
2011	3,673.68
2012	3,673.68
2013	3,673.68
2014	3,673.68
2015	3,673.68
2016	3,673.68
2017	3,673.68
2018	3,673.68
2019	3,673.68
2020	3,673.68
2021	3,673.68
2022	3,673.68
2023	3,673.68
2024	3,673.68
2025	3,673.68
	139,600.00

Smith Barney, Harris Upham & Co.
 Incorporated



LAW OFFICES
LEWIS, CICCARELLO & FRIEDBERG

SUITE 700—ONE VALLEY SQUARE
POST OFFICE BOX 1746

CHARLESTON, WEST VIRGINIA 25326

TELEPHONE (304) 345-2000
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JOHN A. ROLLINS
BRICKFORD Y. BROWN
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ROBERT P. SIMONS
ROBERT P. MARTIN
CHARLES M. JOHNSON, JR.

MURRAY LEWIS (1930-1985)
ARTHUR T. CICCARELLO
PAUL M. FRIEDBERG
RICHARD H. HESS
MARTIN J. GLASSER
G. NICHOLAS CASEY, JR.

June 2, 1986

Town of Hillsboro
Sewer Revenue Bonds, Series 1986

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to Town of Hillsboro (the "Governmental Agency"), a municipal corporation in the State of West Virginia, which is engaged in constructing certain sewage collection facilities (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage, or industrial wastes.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a Loan Agreement, dated April 8, 1986 and a Supplemental Loan Agreement dated April 8, 1986 (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of revenue bonds of the Governmental Agency, dated May 30, 1986 (the "Governmental Agency Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Governmental Agency Bonds are in the principal amount of \$420,000, issued in the form of two bonds, each of which is registered as to principal and interest, if any, to the Authority. Interest on Governmental Agency Bond Number R-1 in the amount of \$280,400 is payable April 1 and October 1 of each year, beginning October 1, 1986, at the rate of 9.75% per annum, and with principal installments payable on October 1 in each of the years 1988 through 2025, inclusive, all as set forth in Schedule X attached to said Bond. Governmental Agency Bond Number R-2 in the amount of \$139,600 is non-interest bearing with principal installments payable on October 1 in each of the years 1988 through 2025, inclusive, all as set forth in Schedule Y attached to said Bond.

The Governmental Agency Bonds are issued for the purpose of paying the costs of acquisition and construction of the Project and certain issuance and other costs in connection therewith.

LAW OFFICES
LEWIS, CICCARELLO & FRIEDBERG

We have also examined the applicable provisions of the Local Statute, under which the Governmental Agency Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Governmental Agency Bonds have been authorized by a bond ordinance (the "Local Act") duly adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Governmental Agency Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a municipality duly organized and presently existing under the laws of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Governmental Agency Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively adopted the Local Act and all other necessary resolutions in connection with the issuance and sale of the Governmental Agency Bonds.

5. Bond Number R-1 is a valid and legally enforceable special obligation of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by the first lien on and pledge of the net revenues of said System, all in accordance with the terms of the Governmental Agency Bond and the Local Act, and have been duly issued and delivered to the Authority.

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LEWIS, CICCARELLO & FRIEDBERG

6. Bond Number R-2 is a valid and legally enforceable special obligation of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by the second lien on and pledge of the net revenues of said System, all in accordance with the terms of the Governmental Agency Bond and the Local Act, and have been duly issued and delivered to the Authority. It is second, subordinate and junior to Bond Number R-1.

7. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Local Bonds, as provided in the Local Act.

8. The Governmental Agency Bonds are, by statute, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and the interest on the Primary Bonds is exempt from personal income taxes imposed directly thereon by the State of West Virginia, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is exempt from federal income taxation.

We have reviewed the provisions of H.R. 3838, the "Tax Reform Act of 1985" as passed by the United States House of Representatives on December 17, 1985 ("H.R. 3838"), and a "Joint Statement" on the effective dates of H.R. 3838 (the "Joint Statement") of the Chairmen and Ranking Members of both the Ways and Means Committee of the United States House of Representatives and the Finance Committee of the United States Senate, together with the Secretary of the United States Treasury Department dated March 14, 1986. In our opinion, if H.R. 3838 is enacted into law in the form passed by the House of Representatives on December 17, 1985, and such law reflects a postponement of effective date to the extent endorsed in the Joint Statement, interest on Bond Number R-1 will continue to be exempt from federal income taxation, except that with respect to property and casualty insurance companies such interest may be included in an alternative calculation of taxable income.

9. The Governmental Agency has obtained final, non-appealable orders of and approvals from the Public Service Commission of West Virginia necessary for the issuance of the Governmental Agency Bonds, construction of the Project and imposition of rates and charges.

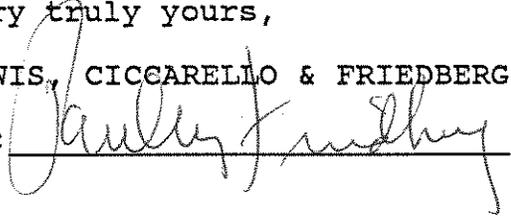
LAW OFFICES
LEWIS, CICCARELLO & FRIEDBERG

No opinion is given herein as to the enforceability of remedies with respect to the Governmental Agency Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights.

We have examined the executed Governmental Agency Bonds numbers R-1 and R-2 and in our opinion the form of said bonds and their execution are regular and proper.

Very truly yours,

LEWIS, CICCARELLO & FRIEDBERG

By: 

~~Handwritten scribble~~ 12

LAW OFFICES
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G. NICHOLAS CASEY, JR.

June 2, 1986

Town of Hillsboro
Sewer Revenue Bonds, Series 1986

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Gentlemen:

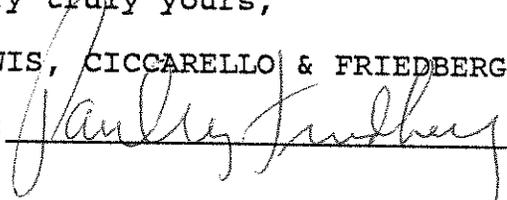
We have examined a transcript of proceedings relating to the issuance of \$280,400 principal amount of Sewer Revenue Bonds, Series 1986 (the "Governmental Agency Bonds"), of Town of Hillsboro (the "Governmental Agency"), and a Certificate as to Arbitrage executed by the Mayor of the Governmental Agency on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Arbitrage are sufficient to satisfy the requirements of Section 103(c) of the Internal Revenue Code of 1954, as amended, and Treasury Regulations promulgated thereunder, particularly Sections 1.103-13, 1.103-14 and 1.103-15, to support the conclusion that the Governmental Agency Bonds are not "arbitrage bonds" as therein defined. No matters have come to our attention which make unreasonable or incorrect the representations made in said Certificate.

Accordingly, it is our opinion that the Governmental Agency Bonds are not "arbitrage bonds" as so defined. Moreover, it is further our opinion that interest on the Governmental Agency Bonds is exempt from federal income taxation under the existing statutes, regulations, rulings and court decisions.

Very truly yours,

LEWIS, CICCARELLO & FRIEDBERG

By: 

13

~~13~~

MARTIN V. SAFFER
ATTORNEY AT LAW

820 TENTH AVENUE
MARLINTON, W. VA. 24954
OFFICE 799-7388
RESIDENCE 653-4418

May 30, 1986

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Lewis, Ciccarello & Friedberg
Suite 700
One Valley Square
Charleston, West Virginia 25326

RE: Town of Hillsboro
Sewer Revenue Bonds,
Series 1986

Gentlemen:

I am counsel to Town of Hillsboro, in Pocahontas County, West Virginia (the "Governmental Agency"). As such counsel, I have examined copies of the approving opinion of Lewis, Ciccarello & Friedberg, as bond counsel, the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency, dated April 6, 1986, the Local Act (as defined therein) and other documents relating to the above-captioned Governmental Agency Bonds of the Governmental Agency. Terms used in said opinions, Local Act and Loan Agreement and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Governmental Agency and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Governmental Agency in accordance with its terms.

2. The members of the City Council of the Governmental Agency have been duly and properly elected and are thereby authorized to act on behalf of the Governmental Agency.

3. The Local Act has been duly adopted by the Governmental Agency and is in full force and effect.

4. The execution and delivery of the Governmental Agency Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement, and the

MARTIN V. SAFFER
ATTORNEY AT LAW

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OFFICE 799-7388
RESIDENCE 653-4418

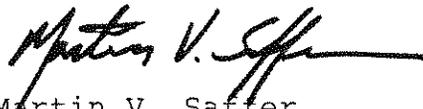
carrying out of the terms thereof, do not and will not in any material respect conflict with or constitute on the part of the Governmental Agency a breach of or default under any agreement or other instrument to which the Issuer is subject.

5. The Issuer has received all the permits, licenses, approvals and authorizations necessary for the issuance of the Governmental Agency Bonds, to construct the Project and impose rates and charges, and has taken any other action required for the imposition of such rates and charges, including, without limitation, all requisite orders and approvals from the Public Service Commission of West Virginia.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement or the validity of the Governmental Agency Bonds, or the collection or pledge of revenues.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,



Martin V. Saffer

MVS/pd



14

TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

GENERAL CERTIFICATE OF GOVERNMENTAL AGENCY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. RATES
10. PUBLIC SERVICE COMMISSION APPROVAL
11. CONTRACTORS' INSURANCE, ETC.
12. GRANTS
13. LOAN AGREEMENT
14. SIGNATURES AND DELIVERY
15. GOVERNMENTAL AGENCY BONDS PROCEEDS
16. SPECIMEN GOVERNMENTAL AGENCY BONDS

We, the undersigned MAYOR and the undersigned RECORDER of the Town of Hillsboro, Pocahontas County, West Virginia (the "Governmental Agency"), and the undersigned ATTORNEY for the Governmental Agency, hereby certify in connection with \$420,000 aggregate principal amount of Town of Hillsboro Sewer Revenue Bonds, Series 1986 (the "Governmental Agency Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Ordinance of the Governmental Agency, adopted April 28, 1986, as supplemented and amended (the "Local Act").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Governmental Agency Bonds, receipt of the Grant Receipts, or in any way contesting or affecting the validity of the Governmental Agency Bonds or the Grants or any proceedings of the Governmental Agency taken with respect to the issuance or sale of the Governmental Agency Bonds, the pledge or application of any moneys or security provided for the payment of the Governmental Agency Bonds or the existence or the powers of the Governmental Agency insofar as they relate to the authorization, sale and issuance of the Governmental Agency Bonds, receipt of the Grant Receipts or such pledge or application of moneys and security, and collection and pledge of revenues.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Governmental Agency Bonds have been or can be duly and timely obtained and remain in full force and effect, and competitive bids for construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Governmental Agency since the approval and execution and delivery by the Governmental Agency of the Loan Agreement. There are no

outstanding debt obligations of the Governmental Agency, or obligations for which full and irrevocable provision for payment has not been made, which are secured by revenues or assets of the System.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been released, rescinded, amended or changed in any way unless modification appears from later documents also listed below:

Bond Ordinance.

Supplemental Bond Ordinance.

Minutes on Adoption of Bond Ordinance and Supplemental Bond Ordinance.

Loan Agreement.

ARC Grant.

EPA Grant.

Pocahontas County Commission Grant.

WDA Grant Commitment Letter.

WDA Loan Commitment Letter.

Public Service Commission Final Order entered April 30, 1986, and corrective order entered May 28, 1986.

6. INCUMBENCY AND OFFICIAL NAME: The proper

corporate title of the Governmental Agency is "Town of Hillsboro" and it is a municipal corporation organized and presently existing under the laws of the State of West Virginia. The governing body of the Governmental Agency is its City Council consisting of 5 members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Richard Burns	June 18, 1985	June 9, 1987
William Simmons	June 18, 1985	June 9, 1987
Louise McNeel	June 18, 1985	June 9, 1987
Larry Simmons	June 18, 1985	June 9, 1987
Kenneth Nottingham	June 18, 1985	June 9, 1987

The names of the duly elected, qualified and acting Mayor, Treasurer and Recorder of said Board of the Governmental Agency are as follows, offices commencing June 18, 1985 and terminating on June 9, 1987.

Mayor	-	John Kinnison
Recorder	-	Barbara Lewis
Treasurer (Appointed)		Wanda Wyman

The duly appointed and acting Counsel to the Governmental Agency is Martin Saffer of Marlinton, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and operation and maintenance of the

System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Governmental Agency and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation re, in the opinion of all the undersigned, within the ability of the Governmental Agency to pay for the same without jeopardizing the security of or payments on the Governmental Agency Bonds.

8. MEETINGS, ETC.: All actions, ordinances, orders and agreements taken by and entered into by or on behalf of the Governmental Agency in any way connected with the construction, acquisition, operation and financing of the Project or the System were authorized or adopted at regular or special meetings of the Governing Body of the Governmental Agency duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A, of the official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the Governing Body was present and acting at all times during such meetings.

9. RATES: On April 22, 1986 the Governmental Agency adopted rates and charges per customer for use of the Project and requiring all businesses, residences and institutions within the

Governmental Agency limits to make connection with the System. Such rates and charges are sufficient to comply with the provisions of Subsection 4.1 (b)(ii) of the Loan Agreement.

10. PUBLIC SERVICE COMMISSION APPROVAL: By order dated April 30, 1986 and corrected May 28, 1986 the Governmental Agency obtained all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the issuance of the Local Bonds and the Supplemental Bonds and construction of the Project.

11. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Local Act.

12. GRANTS: As of the date hereof, the EPA has committed to the Governmental Agency the approximate amount of \$1,062,070, all of which, assuming that construction of the Project progresses as presently expected and receipt of EPA Grant installments does not lag expenditures by more than 120 days (except that amount withheld by the EPA pending satisfactory completion of the EPA audit) is expected to be received as and when needed. Said commitment of EPA is as of this date is still in force and effect. The Other Grants are committed to the Governmental Agency and as of this date remain in force and effect. The net proceeds of the Bonds, together with all remaining proceeds of grants irrevocably committed thereto, shall

be sufficient to pay the remaining costs of construction and acquisition of the Project as set forth on the Application.

As of the date hereof the West Virginia Water Development Authority has committed to the Government Agency the approximate amount of \$195,052, which commitment is still in force and effect as of the date hereof.

As of the date hereof the ARC has committed to the Government Agency the approximate amount of \$42,060, which commitment is still in force and effect as of the date hereof.

As of the date hereof the Pocahontas County Commission has committed to the Government Agency the approximate amount of \$75,000, which commitment is still in force and effect as of the date hereof.

13. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Governmental Agency contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, no misleading; and (iii) to the best knowledge of the undersigned, no event affect the Governmental Agency has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading.

14. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Mayor, did officially sign all of the Governmental Agency Bonds of the aforesaid issue, all dated May 30, 1986, by his manual signature, and the undersigned Recorder did officially cause the official seal of the Governmental Agency to be imprinted upon each of said Governmental Agency Bonds and to be attested by her manual signature, and the Registrar did officially authenticate and deliver the Governmental Agency Bonds to a representative of the Authority as the Original purchaser of the Governmental Agency Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

15. GOVERNMENTAL AGENCY BONDS PROCEEDS: On the date hereof the Governmental Agency received from the Authority the agreed purchase price of the Governmental Agency Bonds being \$420,000 (100% of par value), there being no interest accrued thereon. In accordance with the Local Act, the Governmental Agency Bonds proceeds have been deposited in either the Sinking Fund or the Bond Construction Trust Fund.

16. SPECIMEN GOVERNMENTAL AGENCY BONDS: Delivered concurrently herewith are true and accurate specimens of the Governmental Agency Bonds.

WITNESS our signatures and the official seal of the
Town of Hillsboro on this the 30th day of May, 1986.

(Corporate Seal)

Signatures:


MAYOR
RECORDER
ATTORNEY FOR GOVERNMENTAL AGENCY

BOND ORDINANCE

See Document No. 1

SUPPLEMENTAL BOND ORDINANCE

See Document No. 2

LOAN AGREEMENT

See Document No. 3



APPALACHIAN REGIONAL COMMISSION

1666 Connecticut Avenue, N.W.
Washington, D.C. 20235

March 11, 1986

Mr. Martin Saffer
820 10th Avenue
Marlinton, West Virginia 24954

Re: Hillsboro Sewer System;
Pocahontas County, West Virginia
(WV-8827-83-YI-214-0630)

Dear Mr. Saffer:

In checking our files, the Commission approved a \$42,060 ARC grant for the above-referenced project on September 15, 1983. These funds have been transferred to the Grants Administration Division of the Environmental Protection Agency for administration. The grant is still in effect. The Environmental Protection Agency is to administer these funds in conjunction with the 214 funding rules as identified on the Commission's Funds Memorandum.

If you need any additional information, please feel free to call.

Sincerely,

ROBERT SOKOLOWSKI
Distressed Counties Coordinator



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION III

841 Chestnut Building
Philadelphia, Pennsylvania 19107

MAR 14 1986

Mr. John Kinnison
Mayor, Town of Hillsboro
Hillsboro, WVA 24946

Re: Town of Hillsboro, WVA
C-540364-03

Dear Mayor Kinnison:

It is our understanding that the following information is needed in order to be presented by the Town to those financial institutions that will be participating in this project.

On September 30, 1977, EPA awarded the Town of Hillsboro \$1,062,070 (75% of \$1,416,100) for the construction of a collector interceptor system and an aerated lagoon sewage treatment plant. According to our files, the current funding shares for the project is:

EPA	\$1,062,070	75%
Section 214	42,060	3%
Non-Federal	<u>311,970</u>	<u>22%</u>
Total eligible project cost	<u>1,416,100</u>	<u>100%</u>

For your convenience, we are enclosing a copy of your existing grant agreement. Upon our receipt of the bid documents, we will amend the grant accordingly to reflect actual project costs.

Should additional information be needed, please call Mr. Les Reed at (215) 579-7498.

Sincerely,

R. Fenton Roudabush

R. Fenton Roudabush, Chief
Virginia/West Virginia Section
Construction Grants Branch

cc: Mr. Mike Johnson, West Virginia
Department of Natural Resources
Mr. Martin Saffer, Esq. —
Copper and Smith Inc.

MEMBERS OF
COUNTY COMMISSION
Walter D. Helmick, President
Marlinton, WV 24954
Houston E. Simmons, Commissioner
Serbert, WV 24975
Albert L. Wilfong, Commissioner
Dunmore, WV 24934

Pocahontas County Commission

900 C - 10th Avenue
Marlinton, West Virginia 24954

Regular Terms of Court
First and Third Tuesday
each month

Phone 799-4063

Hildreth T. Meadows, Clerk
Phone 799-4549

June 5, 1985

Howard Cunningham
Executive Secretary
West Virginia Public Service Commission
State Capitol
Charleston, West Virginia 25305

Re: Town of Hillsboro
EPA No. C-540364

Dear Mr. Cunningham:

Please be advised that the Pocahontas County Commission has contributed \$75,000 to the above referenced project. As of this date all funds have been distributed.

Sincerely,

Walter D. Helmick
President
Pocahontas County Commission

WDH/pd

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

MAY 21 1986

HARDSHIP GRANT AGREEMENT

WATER DEVELOPMENT AUTHORITY

1. GRANT RECIPIENT (NAME AND ADDRESS): COUNTY: Pocahontas

Town of Hillsboro
P. O. Box 102
Hillsboro, WV 24946

2. GRANT RECIPIENT REPRESENTATIVE (NAME, TITLE AND ADDRESS):

The Honorable John Kinnison
Mayor, Town of Hillsboro
P. O. Box 102
Hillsboro, WV 24946

3. GRANT PAYEE (NAME AND ADDRESS):

Town of Hillsboro
P. O. Box 102
Hillsboro, WV 24946

4. APPROVED AMOUNT OF GRANT: \$ 195,052.00

5. PAYMENTS WILL USUALLY BE INITIATED BY THE WDA UPON RECEIPT OF A COPY OF THE EPA APPROVED GRANT PAYMENT REQUEST IN AMOUNTS PROPORTIONATELY SIMILAR TO PAYMENTS MADE BY THE EPA.

ALL GRANTS ARE SUBJECT TO STATE APPROPRIATION AND AVAILABILITY OF FUNDS. CONTRACT SHALL EXTEND UNTIL JUNE 30, 1986, AND IS SUBJECT TO RENEWAL.

6. TYPE OF ACTIVITY FOR WHICH GRANT FUNDS ARE TO BE USED:

Construction of collecting and intercepting sewers, six pump stations and force mains, and an aerated lagoon.

7. TOTAL COSTS	\$ <u>1,480,466.00</u>
ELIGIBLE COSTS	\$ <u>1,416,100.00</u>
FEDERAL (EPA) GRANT AMOUNT	\$ <u>1,062,070.00</u>
STATE (WDA) HARDSHIP GRANT AMOUNT	\$ <u>195,052.00</u>

8. GRANT OFFER AND ACCEPTANCE:

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY HEREBY OFFERS A HARDSHIP GRANT TO Town of Hillsboro, SUCH GRANT NOT TO EXCEED \$ 195,052.00 FOR SUPPORT OF COSTS DESCRIBED IN THIS GRANT AGREEMENT AND ITS APPLICATION WHICH IS HEREBY MADE A PART OF THIS AGREEMENT.

REPAYMENT OF LOANS. THE GRANT RECIPIENT AGREES TO PROVIDE IMMEDIATE PAYMENT IN FULL OF ANY LOANS AND SERVICE CHARGES DUE THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY IN ACCORDANCE WITH REGULATIONS OF THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY.

TERMINATION. THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RESERVES THE RIGHT TO TERMINATE THIS AGREEMENT UPON GIVING THE RECIPIENT ORGANIZATION NOT LESS THAN SIXTY (60) DAYS PRIOR WRITTEN NOTICE. THE RECIPIENT ORGANIZATION MAY TERMINATE THIS AGREEMENT BY GIVING THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SIXTY (60) DAYS PRIOR WRITTEN NOTICE. IN THE EVENT SUCH AGREEMENT IS TERMINATED BY THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY PURSUANT TO, AND NOT IN BREACH OF, THE PROVISIONS OF SUCH AGREEMENT, OR BY SUBSEQUENT AGREEMENT OF THE PARTIES, OR IN THE EVENT SUCH AGREEMENT IS TERMINATED BY THE APPLICANT WHETHER OR NOT IN BREACH OF THIS AGREEMENT, THE STATE GRANT WILL BE IMMEDIATELY WITHDRAWN.

SPECIAL PROVISIONS: Town of Hillsboro AGREES TO THE FOLLOWING:

DURING THE CONSTRUCTION OF ITS SEWER FACILITY, THE GRANT RECIPIENT WILL PROVIDE AND MAINTAIN COMPETENT AND ADEQUATE ENGINEERING AND OVERSEEING SERVICES SATISFACTORY TO THE AUTHORITY COVERING THE SUPERVISION AND INSPECTION OF THE DEVELOPMENT AND CONSTRUCTION OF THE PROJECT AND BEARING THE RESPONSIBILITY FOR ENSURING THAT CONSTRUCTION CONFORMS WITH THE APPROVED FINANCING ARRANGEMENTS, SURVEYS, PLANS, PROFILES, CROSS SECTIONS AND SPECIFICATIONS AND CERTIFYING TO THE AUTHORITY, DURING AND AT COMPLETION OF CONSTRUCTION, THAT FINANCING AND CONSTRUCTION ARE IN ACCORDANCE WITH APPROVED FINANCIAL ARRANGEMENTS, SURVEYS, PLANS, PROFILES, CROSS SECTIONS AND SPECIFICATIONS OR APPROVED AMENDMENTS THERETO.

FINANCING OF THE SEWER PROJECT, INCLUDING THE ACQUISITION AND DOCUMENTATION OF ALL FUNDING AS WELL AS INITIATION OF CONSTRUCTION OF THE PROJECT, MUST TAKE PLACE WITHIN 120 DAYS OF THE DATE OF ISSUANCE OF THIS GRANT. FAILURE TO COMPLY WITH THIS REQUIREMENT WILL RESULT IN AUTOMATIC WITHDRAWAL OF THIS GRANT.

GENERAL. THIS GRANT AGREEMENT IS SUBJECT TO ALL STATUTORY PROVISIONS, ALL GRANT REGULATIONS OF THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND ALL PROVISIONS OF THIS AGREEMENT AND FURTHER IS SUBJECT TO THE CONDITIONS SET FORTH IN GRANT AGREEMENT NO. C-540364-03 CONSUMMATED BETWEEN THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND Town of Hillsboro

OFFERED ON September 30, 1977 AND
ACCEPTED ON June 2, 1979.

THE RECIPIENT ORGANIZATION AGREES THAT FUNDS AWARDED UNDER THIS AGREEMENT WILL BE USED SOLELY FOR THE PURPOSES OF THE PROJECT AS APPROVED.

9. NAME AND TITLE OF AWARD OFFICIAL: Edgar N. Henry
TITLE: Director
SIGNATURE: *Edgar N. Henry*
DATE: May 12, 1986

STATE OF WEST VIRGINIA, COUNTY OF KANAWHA.

TAKEN, SUBSCRIBED AND SWORN TO BEFORE ME THIS 12th DAY OF May,
1986.

NOTARY: *Barbara Butcher Meadows*

COMMISSION EXPIRES: January 17, 1994

10. NAME AND TITLE OF RECIPIENT
ORGANIZATION REPRESENTATIVE: The Honorable John Kinnison
TITLE: Mayor, Town of Hillsboro
SIGNATURE: *John Kinnison*
DATE: 5/14/86

STATE OF WEST VIRGINIA, COUNTY OF Pocahontas.

TAKEN, SUBSCRIBED AND SWORN TO BEFORE ME THIS 14th DAY OF MAY,
1986.

NOTARY: *Karl R. Puffenberg*

COMMISSION EXPIRES: 10-7-87

NOTE: THE GRANT AGREEMENT MUST BE COMPLETED IN DUPLICATE AND RETURNED WITHIN 30 DAYS AFTER RECEIPT OR AS PROVIDED IN ANY TIME EXTENSION ARRANGED WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY. RECEIPT OF WRITTEN REFUSAL OR FAILURE TO RETURN WITHIN THE 30-DAY PERIOD WILL RESULT IN TERMINATION OF THE GRANT OFFER. NO AMENDMENTS MAY BE MADE TO THE AGREEMENT SUBSEQUENT TO SIGNING BY THE AUTHORITY.

ALL CORRESPONDENCE CONCERNING THIS OFFER AND AGREEMENT SHOULD BE ADDRESSED TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, 1201 DUNBAR AVENUE, DUNBAR, WV 25064.

STATE OF WEST VIRGINIA
PURCHASING REQUISITION

Req. No: 32

Page 1 of 16 Pages

BUYER: SF-23
Date: 5-05-86
Fiscal Year: 85
State Acct. No.: 567-5670-20-025-01
B. R. Acct. No.:

Department or Institution: Water Development Authority

Vendor Name & Address:

F.E.I.N.: 000-000-040-6
TELEPHONE: 653-4636

Ship To: Water Development Authority
1201 Dunbar Avenue
Dunbar, WV 25064

Invoice in Quintuplicate to

Same

Town of Hillsboro
P. O. Box 102
Hillsboro, WV 24946

INSTRUCTIONS: After completion, remove carbon, and submit original and second sheet to BUDGET DIVISION, Dept. Finance & Administration, Charleston, W. Va. The third and fourth sheets are for departmental use.

AGREEMENT

This Agreement constitutes the acceptance of contract made by and between the State of West Virginia by the Commissioner of Finance and Administration for and on behalf of Water Development Authority and Town of Hillsboro, for a Supplemental Loan to pay a portion of the local share financing of the water development wastewater project.

Service beginning April 24, 19 86 and extending until June 30, 19 86. All in accordance with standard form of agreement attached hereto as a part hereof.

SCHEDULE OF PAYMENT

\$ 139,600.00 per agreement

FEE: \$ 139,600.00
TRAVEL EXPENSE: \$
OTHER EXPENSE: \$
TOTAL: \$ 139,600.00

APPROVED AS TO FORM THIS

DAY OF _____, 19 _____

CHARLIE BROWN
Attorney General

BY _____

Assistant Attorney General

STATE OF WEST VIRGINIA
Department of Finance and Administration
JOHN F. McCUSKEY

Commissioner

TOTAL AMOUNT OF THIS
PURCHASE ORDER \$ 139,600.00

APPROVED AS TO PROVISIONS AND TERMS

STATE OF WEST VIRGINIA

Department of Finance and Administration
PURCHASING DIVISION

Authorized
Signature: _____

Title: Administrative Assistant

Telephone: 348-3612

PUBLIC SERVICE COMMISSION FINAL ORDER
entered April 30, 1986, and
corrective order entered May 28, 1986

See Document Nos. 5 and 6

15

TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

CERTIFICATE AS TO ARBITRAGE

I, JOHN KINNISON, Mayor of the Town of Hillsboro, in Pocahontas County, West Virginia (the "Governmental Agency"), being one of the officials of the Governmental Agency duly charged with the responsibility for the issuance of \$280,400 Sewer Revenue Bonds, Series 1986, of the Governmental Agency dated May 30, 1986 (the "Governmental Agency Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Sections 1.103-13, 1.103-14 and 1.103-15 of the Income Tax Regulation (the "Regulations") promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended ("Section 103(c)"). I am one of the officers of the Governmental Agency charged with the responsibility of issuing the Governmental Agency Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Governmental Agency.

2. This certificate may be relied upon as the certificate of the Governmental Agency.

3. The Governmental Agency has not been notified by the Internal Revenue Service of any listing or proposed listing of its as an issuer the certification of which may not be relied upon by holders of obligations of the Governmental Agency or that there is any disqualification of the Governmental Agency by the Internal Revenue Service because a certification made by the Governmental Agency contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Governmental Agency in existence of May 30, 1986, the date on which the Governmental Agency Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Governmental Agency set forth herein are reasonable.

5. In the Local Act pursuant to which the Governmental Agency Bonds are issued, the Governmental Agency has covenanted to make no use of the proceeds of the Governmental Agency Bonds which would cause the Governmental Agency Bonds to be "arbitrage bonds" within the meaning of the Regulations or Section 103(c).

6. The Governmental Agency Bonds were sold on May 29, 1986, to the West Virginia Water Development Authority (the "Authority") for a purchase price of \$280,400.

7. The proceeds of the Governmental Agency Bonds are being delivered simultaneously with the delivery of this certificate and are used for the purpose of financing a portion of the costs of the Project, some of which costs have been and are expected to be reimbursed in part primarily by the United States Environmental Protection Agency (the "EPA") pursuant to the provisions of the Federal Water Pollution Control Act Amendments of 1972, as amended by the Clean Water Act of 1977, and certain grant agreements by and between the Governmental Agency and EPA, and in part paid by other grants from various federal, state and local agencies, and payment of costs of the Project, if necessary. The net proceeds of the Governmental Agency Bonds, together with the other moneys available therefor, will be sufficient to pay in full the remaining costs of the Project as the same become due.

8. The Governmental Agency has, prior to deliver of the Governmental Agency Bonds, entered into agreements which require the Governmental Agency to expend in excess of \$100,000 on the Project. The Governmental Agency expects that acquisition, construction and equipping of the Project will proceed with due diligence to completion, and that all of the proceeds from the sale of the Governmental Agency Bonds will be

spent on or before November 1, 1986.

9. The total cost of the Project is estimated at \$1,696,273. The amount of Project costs not expected to be reimbursed or paid from any of such grants is estimated to be at least \$420,000, \$280,000 of which is represented by the Government Agency Bond while the balance of \$139,600 is provided from the sale of a non-interest bearing bond. Except for the funds set forth in paragraph 7 above, no other funds of the Governmental Agency will be available to meet costs of the Project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to Article IV of the Local Act, the following special funds or accounts have been created:

(1) Revenue Fund.

(2) Bond Construction Trust Fund, and within the Bond Construction Trust Fund:

(a) Costs of Issuance Account.

(3) Operation and Maintenance Fund.

(4) Renewal and Replacement Fund.

(5) Sinking Fund, and within the Sinking Fund:

(a) Reserve Account.

From the monies received from the sale of the Governmental Agency Bonds (the "Proceeds"):

(1) Any accrued interest received shall be deposited in the Sinking Fund and applied to the first interest payment due on the bonds.

(2) The amount of the proceeds which together with the proceeds deposited pursuant to Subsection (1) of this section and together with the earnings thereon, shall be at least sufficient to pay interest on the Bonds for the period specified in the Supplemental Ordinance and shall be deposited in the Sinking Fund; provided, that such period may not extend beyond the date which is 6 months after the estimated date of completion of construction of the Project.

(3) The amount necessary to pay the cost of issuance shall be deposited in the Costs of Issuance Account and will be used solely to pay the costs of issuance.

(4) The remaining monies shall be deposited in the Bond Construction Trust Fund and used and applied for the payment of any costs of construction and acquisition of the Project.

(5) If for any reason any of the above funds are not necessary for, or not applied to, the purposes outlined above, then such unapplied proceeds shall be deposited in the Sinking Fund.

11. All moneys in the Sinking Fund (including any income earned thereon) will be held for the payment of the interest to accrue on the Governmental Agency Bonds on or prior

to the maturity thereof. Moneys held in the Sinking Fund will be used solely to pay principal of and interest on the Governmental Agency Bonds and will not be available to meet costs of the Project.

12. Except for the Sinking Fund, there are no other funds or accounts established or held by the Governmental Agency which are reasonably expected to be used to pay debt service on the Governmental Agency Bonds or which are pledged as collateral for the Governmental Agency Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Governmental Agency Bonds, if the Governmental Agency encounters financial difficulties.

13. The Governmental Agency expects that no part of the Project financed by the Bonds will be sold prior to the last maturity date of the Governmental Agency Bonds.

14. At least 85% of the spendable proceeds of the Governmental Agency Bonds will be expended on the Project (or to pay the construction borrowings of the Governmental Agency, the proceeds of which were expended on the Project) within 180 days from the date of issuance thereof.

15. Any money deposited in a sinking fund for payment of the principal of or interest on the Governmental Agency Bonds (other than the Reserve Account) will be spent within a 13-month period beginning on the date of receipt.

16. The original proceeds of the Governmental Agency Bonds will not exceed the amount necessary for the purposes of the issue.

17. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

IN WITNESS WHEREOF, I have set my hand this 30th day of May, 1986.



Mayor, Town of Hillsboro

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TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

ENGINEER'S CERTIFICATE

I, Rod W. Smith, Registered Professional Engineer, West Virginia License No. 7779 of COPPER & SMITH, P.C., Consulting Engineers, Harrisonburg, Virginia, hereby certify as follows:

1. My firm is engineer for the construction and acquisition of certain public service properties for the collection of sewage and industrial wastes (the "Project") for The Town Of Hillsboro, Pocahontas County, West Virginia (the "Governmental Agency"). Certain costs of such construction and acquisition are being financed in part out of the proceeds of the above-captioned bonds (the "Governmental Agency Bonds") and out of certain grant proceeds from the United States Environmental Protection Agency (the "EPA") and the West Virginia Water Development Authority (the "WDA"), Appalachian Regional Commission (the "ARC") and the Pocahontas County Commission.

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm, or amendments thereto and as described in the Application submitted to the WDA and approved by all necessary governmental bodies and is situate wholly or chiefly within the boundaries of said District; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals and permits for the construction thereof have been obtained; (iii) I have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and all bids for construction of the Project have been received in an amount compatible with the plan of financing described in said Application and I have ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness; (iv) the Governmental Agency has obtained all permits required by the laws of the State of West Virginia and the United States of America necessary for construction of the Project, including permits from the EPA and the West Virginia Department of Natural Resources; (v) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; and (vi) the rates and charges for the sewerage system of the

Governmental Agency comply with the applicable provisions of the Loan Agreement by and between WDA and the Governmental Agency.

3. The schedule below accurately constitutes the total costs and committed funds for the Project as of June 1, 1986.

TOTAL COST OF PROJECT AND SOURCES OF FUNDS

A. Cost of Project

1. Construction	\$ 1,313,989	
2. Technical Services	\$ 233,585	<i>RWS</i>
3. Legal and Fiscal	\$ 30,000	
4. Administrative	\$ 20,000	
5. Site and Other Lands	\$ 23,000	
6. Step I and/or Step II or Other Loan Repayment (Specify Type: _____)	\$ None	
7. Interim Financing Costs	\$ 10,000	
8. Contingency	\$ 65,699	
9. Total of Lines 1 through 8		\$ <u>1,696,273</u>

B. Sources of Funds

10. Federal Grants:	ARC	\$ 42,060
(Specify Source)	EPA	\$ 1,062,070
11. State Grants:	WVA	\$ 195,052
(Specify Source)	_____	\$ _____
	_____	\$ _____
	_____	\$ _____
12. Other Grants:	Pocahontas Co. Commission	\$ 75,000
(Specify Source)	_____	\$ _____
13. Any Other Source	_____	\$ _____
(Specify)	_____	\$ _____
14. Total of Lines 10 through 13		\$ <u>1,374,182</u>
15. Proceeds Required from Bond Issue (Line 9 less Line 14)		\$ <u>322,091</u>
16. Cost of Financing		
(a) Capitalized Interest	\$ 65,909	
(construction period plus six months)		
(b) Funded Reserve Account	\$ 32,000	
(c) Other Costs	\$ _____	
	\$ _____	
	\$ _____	
Total Cost of Financing		\$ <u>97,909</u>
17. Size of Bond Issue (Line 15 plus Total from Line 16)		\$ <u>420,000</u>

WITNESS my signature on this 31st day of May, 1986.

COPPER & SMITH, P.C.

By: Rod W. Smith, P.E.

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BLAKE & BOONE ACCOUNTING CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

RT. 219 N. - P.O. BOX 187
LEWISBURG, WEST VIRGINIA 24901

MEMBERS
W. VA. SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs

OFFICES
LEWISBURG, W. VA. 497-3192
MARLINTON, W. VA. 799-6661

May 29, 1986

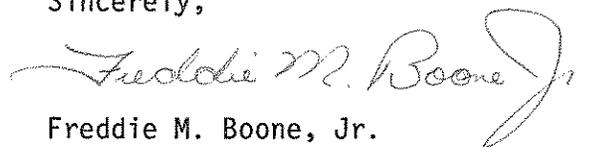
Town of Hillsboro
Sewer Revenue Bonds, Series 1986

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, WV 25064

Gentlemen:

We are the accountants to the Town of Hillsboro in Pocahontas County, West Virginia (The "Governmental Agency"). As such accountants we have reviewed the rates and charges for the System and have determined that such rates and charges are sufficient to comply with the provisions of sub-section for .1(b)(2) of the loan agreement and supplemental loan agreement between the West Virginia Water Development Authority and the Governmental Agency. Terms used herein shall have the same meanings as contained in the Local Act and Loan Agreement.

Sincerely,


Freddie M. Boone, Jr.

1k

90

State of West Virginia }
Isaac Menuel } Suggestion

For reasons appearing to the Court this case is dismissed.

Doctors J. P. Mooman and Chas L. Suttin this day returned to Court their report of examination of John P. Varner charged with lunacy, and it appearing to the Court from said report that the said John P. Varner is fully restored to sanity, therefore it is ordered that he be discharged and that Henry A. Yeager be released from all further liability upon his bond conditioned that he restrain and take proper care of said Varner, and the Clerk of this Court is ordered to deliver a Certified Copy of this order to said Varner.

Ordered that this Court be adjourned until tomorrow morning 9 o'clock

W. A. Keeler

Tuesday April 6th 1886.

Court met pursuant to adjournment.
Present — Some Judge as on yesterday

A Certificate under oath of A. S. Bruffy, James J. Clark and A. R. Smith was this day filed showing that a majority of all the qualified Voters residing in the following boundary Unit, Beginning at a Locust tree on the lands of G. S. Menuel and running N. 50 E. 142 Chains to the residence of James Jordan, thence N 19. W. 85 Chains to a Stake on the lands of Capt. A. M. Edger, thence S. 57. W. 166 Chains to a Stake near a line on the land of Joseph Beard thence S. 36. E 80 Chains to the beginning, and containing 326 Acres, said territory is situated in District No. 4, of said County and State) have been given in due form of law in favor of the incorporation of the Village of Hillsboro in the County of Pocahontas, bounded as herein set forth, and it appearing to the satisfaction of the Court that all the provisions of Chapter 47 of the Code of West Virginia have been complied with by the application of said

A TRUE COPY, Certified this 21st
day of May, 1986.

Earl D. Mickel, Clerk
POCAHONTAS COUNTY CIRCUIT COURT
Marlinton, West Virginia 24954
By Nancy H. Friel, Deputy

Incorporation, The said Village is duly authorized
maintain the corporate limits aforesaid to
exercise all the corporate powers conferred
the said Chapter, from and after the date
this Certificate.

S. L. Brown Jailer of Pocahontas County this day
produced an account against the State of West
Virginia, amounting to \$39.⁵⁰ for boarding James
P. Murphy a prisoner charged with felony, which
account being proven in open court and deemed
correct, is ordered to be certified to the Auditor
of this State for payment.

S. L. Brown Jailer of Pocahontas County this day
produced an account against the State of West
Virginia, for boarding, nursing & guarding Eleanor
Stonon a Lunatic confined in the jail of this
County, which ^{being} seen and inspected by the Court
and proven in open court, and deemed correct
it further appearing that said S. L. Brown
made application as is required by law to
said Eleanor Stonon admitted to the Hospital
The Insane at Weston, it is ordered that said
account amounting to \$28.⁰⁰ be allowed and
certified to the Auditor for payment.

S. L. Brown Jailer of Pocahontas County this day
produced an account against the State of West
Virginia; for boarding and guarding Lonnie Taylor
a Lunatic confined in the jail of this County,
which account being seen and inspected by the
Court, and proven in open court and deemed
correct, & it further appearing that said S. L.
has made application as is required by law
said Lonnie Taylor admitted to the Hospital
of Insane at Weston, it is ordered that said
account amounting to \$19.²⁵ be allowed and
certified to the Auditor for payment.

This day Amos Barlow produced to court an account
against the State of West Virginia amounting to \$2.⁰⁰
for clothing furnished Lonnie Taylor a Lunatic
confined in the jail of this County, which account
being proven in open court and deemed correct
and it appearing further that said account be
expended \$20.⁰⁰ for clothing furnished said Lunatic

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TOWN OF HILLSBORD

Incorporated 1886

HILLSBORD, W. VA. 24946

The Hillsboro Town Council met for a special meeting on April 28, 1986 at the firehouse at 7:30 P.M.

Those present were:

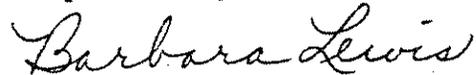
Mayor- John Kinnison

Councilmembers- William Simmons, Ken Nottingham
Larry Simmons

Recorder- Barbara Lewis

A motion was made by William Simmons and seconded by Ken Nottingham to adopt the Bond Ordinance in connection with the Sewer Revenue Bond Issue. It was passed unanimously by the Council.

Respectfully submitted by:



Barbara Lewis, Recorder

TOWN OF HILLSBORO

Incorporated 1886

HILLSBORO, W. VA. 24946

The Hillsboro Town Council met for a special meeting on May 27, 1986 at the public library at 7:30 P.M.

Those present were:

Mayor- John Kinnison

Councilmembers- William Simmons, Ken Nottingham,
Larry Simmons, Louise McNeel

Recorder- Barbara Lewis

A motion was made by William Simmons and seconded by Larry Simmons to adopt the Supplemental Ordinance in connection with the Bond Ordinance passed on April 28, 1986. It was passed unanimously by the Council.

Respectfully submitted by:

Barbara Lewis
Barbara Lewis, Recorder

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TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

ACCEPTANCE OF DUTIES OF REGISTRAR AND PAYING AGENT

KANAWHA VALLEY BANK, N.A., national banking association with principal office in the City of Charleston, West Virginia, hereby accepts appointment as Registrar and Paying Agent in connection with the Town of Hillsboro Sewer Revenue Bonds, Series 1986, dated May 30, 1986, in the aggregate principal amount of \$420,000 (the "Governmental Agency Bonds") and agrees to perform all duties of Registrar and Paying Agent in connection with such Governmental Agency Bonds, all as set forth in the Local Act authorizing issuance of the Bonds.

KANAWHA VALLEY BANK, N.A.

By:

Its:

Charlotte M. Morgan
ASSIST. Comp. Trust Officer

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TOWN OF HILLSBORO

Sewer Revenue Bonds, Series 1986

REGISTRATION OF BONDS

I, Charlotte S. Morgan, Administrator of the Kanawha Valley Bank, N.A., as Registrar under the Local Act providing for the \$420,000 Sewer Revenue Bond, Series 1986, of Town of Hillsboro (the "Governmental Agency"), hereby certify that on the 30th day of May, 1986, the two fully registered Bonds of the Governmental Agency in the aggregate principal amount of \$420,000 designated "Sewer Revenue Bond Series 1986", numbered R-1 in the amount of \$280,400 and R-2 in the amount of \$139,600, and dated on the date hereof were registered as to principal and interest, if any, in the name of "West Virginia Water Development Authority" in the books of the Governmental Agency kept for the purpose at our office, by a duly authorized officer on behalf of the Kanawha Valley Bank, N.A., as Registrar.

WITNESS my signature as of this 30th day of May, 1986.

KANAWHA VALLEY BANK, N.A.

By:

Charlotte S. Morgan

Its:

ASSIST CORP TRUST OFFICER

22

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 30th day of May, 1986, by and between the TOWN OF HILLSBORO, a municipal corporation in the State of West Virginia (the "Governmental Agency"), and KANAWHA VALLEY BANK, N.A., a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$420,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986, in full registered form (the "Governmental Agency Bonds"), pursuant to an Ordinance adopted April 28, 1986 and a Supplemental Ordinance adopted May 27, 1986 (collectively, the "Local Act");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Local Act, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Governmental Agency of a Registrar and Paying Agent for the Governmental Agency Bonds; and

WHEREAS, the Governmental Agency desires to appoint, and by the Local Act and this Registrar's Agreement does appoint,

the Registrar to act as Paying Agent and Registrar under the Local Act and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of the Paying Agent and Registrar, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver Governmental Agency Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Governmental Agency Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rule Making Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Paying Agent and Registrar and to furnish the Governmental Agency with the names and specimen signatures of the

Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Governmental Agency.

4. The Governmental Agency hereby agrees to indemnify the Registrar against any loss, liability or expense incurred by the Registrar other than liability arising by reason of the bad faith, negligence or willful misconduct of the Registrar, and the Registrar hereby agrees to indemnify the Governmental Agency against any loss, liability or expense incurred by the Governmental Agency by reason of the bad faith, negligence or willful misconduct of the Registrar. Such expense, in either case, shall include the costs and expenses of defending against any claim or liability. Neither the Governmental Agency nor the Registrar shall be liable under or held in breach of this Registrar's Agreement if prevented, hindered or delayed in the performance or observance of any provision of this Registrar's Agreement by reason of any act of God, strikes, lockouts, riots, acts of war, epidemics, government action or regulation imposed after the fact, judicial order, earthquakes, floods, fires or other causes beyond their reasonable control.

5. As compensation for acting as Paying Agent and Registrar pursuant to this Registrar's Agreement, the

Governmental Agency hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annex schedule and reimbursement for reasonable expenses incurred in connection therewith.

6. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Paying Agent and Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act shall govern.

7. The Governmental Agency and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Local Act will violate any order, decree or agreement to which it is a party or by which it is bound.

8. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Town of Hillsboro
Hillsboro, West Virginia 24946
Attention: Mayor

AGENT: Kanawha Valley Bank, N.A.
One Valley Square
Post Office Box 1793
Charleston, West Virginia 25301
Attention: Corporate Trust Department

9. The Registrar is hereby requested and authorized to authenticate and deliver the Governmental Agency Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, the TOWN OF HILLSBORO and KANAWHA VALLEY BANK, N.A. have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

TOWN OF HILLSBORO

By: *John Kinnison*
Mayor

KANAWHA VALLEY BANK, N.A.

By: *Charlette Morgan*
Its: *Assist. Corp. Trust Officer*

23

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto Kanawha Valley Bank, N.A., Charleston, West Virginia, the revenue bond of the Town of Hillsboro in the principal amount of \$280,400, No. R-1 herewith, standing in the name of West Virginia Water Development Authority on the books of said Governmental Agency.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY


Daniel B. Yonkosky, Secretary-
Treasurer

Dated: May 30, 1986

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Requisition as to Loan to Governmental Agency

TO: KANAWHA VALLEY BANK, N.A., TRUSTEE

A. Name of Governmental Agency to which payment is to be made: Town of Hillsboro.

B. Total Amount to be paid: \$280,400.

C. Certification by Water Development Authority:

I hereby certify that under the terms and provisions of the Loan Agreement providing for the Loan to the above-captioned Governmental Agency, dated, as to the Authority, as of April 8, 1986, said Governmental Agency has sold its Local Bonds to the Authority in the principal amount equal to the amount of the Loan set forth in B above, that such Governmental Agency is obligated to make Local Bonds Payments and to pay Fees and Charges in accordance with Section 9.09 of the General Ordinance and that such Governmental Agency is not in default under any of the terms or provisions of said Loan Agreement.

I further certify that the Local Bonds Payments will be sufficient to pay interest on and Principal Installments of the Bonds, the proceeds of which were used to fund the Loan Obligation, as such interest and Principal Installments come due.

The above certifications comply with Subsections 6.06(2)(a)(ii) and (v) of the General Ordinance.


Daniel B. Yonkosky, Secretary-
Treasurer, West Virginia Water
Development Authority

DATE: May 30, 1986