

**TOWN OF MASONTOWN**

**Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)**

**Date of Closing: April 20, 2007**

**BOND TRANSCRIPT**

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# TOWN OF MASONTOWN

## Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture)

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**TOWN OF MASONTOWN**

**Sewer Revenue Bonds, Series 2007 A**  
**(United States Department of Agriculture)**

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TOWN OF MASONTOWN

ORDINANCE AUTHORIZING THE COMPLETION OF THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE TOWN OF MASONTOWN, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$261,500 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE) DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

BE IT ENACTED AND ORDAINED BY THE COUNCIL OF THE TOWN OF MASONTOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS  
AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is adopted and 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. The Town of Masontown (the "Issuer") is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia in Preston County of said State.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. The Issuer currently owns and operates a public sewerage system and desires to complete the acquisition, construction and operation of certain additional public sewerage facilities consisting of additions, betterments and improvements to such existing sewerage facilities, with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, the completion of certain additions, betterments and improvements to the existing sewerage system of the Issuer, consisting of improvements to its wastewater collection system and construction of a wastewater treatment plant, together with all

appurtenant facilities (collectively, "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Town Recorder of the Issuer. The existing sewerage facilities of the Issuer, together with the Project and any further additions, betterments and improvements, are herein called the "System". The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Bonds (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. The Project was originally expected to cost \$6,226,000 of which \$850,000 was obtained proceeds from the Issuer's Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture); \$1,500,000 was obtained from the proceeds of the Issuer's Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund); \$1,746,000 was received from a grant from the Purchaser; \$1,250,000 was received from Small Cities Block Grant; \$500,000 was committed from a grant from the West Virginia Infrastructure and Jobs Development Council (the "Council") and \$380,000 from a fee charged as a Reedsville Connection Fee.

E. The total cost of the Project is revised to be \$6,487,500 of which \$850,000 has been obtained from the proceeds of the Issuer's Sewer Revenue Bonds, Series 2001 A, \$1,500,000 has been obtained from the Issuer's Sewer Revenue Bonds, Series 2001 B, \$1,250,000 in grant proceeds has been obtained from a Small Cities Block Grant, \$500,000 in grant proceeds has been obtained from the West Virginia Infrastructure and Jobs Development Council (the "Council"), \$380,000 has been obtained from the Town of Reedsville as a connection fee and an additional \$261,000 will be obtained from the proceeds of the Series 2007 A Bonds. The majority of the Project has been completed as contemplated in the Bond Ordinance of the Issuer dated July 30, 2001 authorizing the Series 2001 A Bonds and the Series 2001 B Bonds.

F. The cost of the completion of the acquisition and construction of the Project is \$262,600, of which \$261,500 will be obtained from the proceeds of sale of the Series 2007 A Bonds and \$1,076 from unexpended funds from the Council grant and \$24 from the Issuer.

G. It is necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture) (the "Series 2007 A Bonds"), in the aggregate principal amount of \$261,500 (the "Series 2007 A Bonds"), to finance a portion of the completion costs of acquisition and construction of the Project. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2007 A Bonds prior to, during and for 6 months after estimated completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues;

expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incidental to the acquisition and construction of the Project and the financing authorized hereby; provided that, reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred for costs of the Project by the Issuer for such purposes shall be deemed Costs of the Project.

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

I. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the (i) Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), dated August 22, 2001, issued in the original aggregate principal amount of \$850,000 (the "Series 2001 A Bonds"); and (ii) Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000 (the "Series 2001 B Bonds"). The Series 2001 A Bonds and the Series 2001 B Bonds are hereinafter referred to as the "Prior Bonds". Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and, if required, the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2007 A Bonds as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the Prior Bonds, the ordinances and resolutions authorizing the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

J. It is in the best interest of the Issuer that the Series 2007 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions dated June 21, 2006, and all amendments thereto (collectively, the "Letter of Conditions").

K. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of the Series 2007 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the Project from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

L. The Sanitary Board of the Issuer has presented a petition to the Issuer for enactment of this Bond Legislation.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owner of the same from time to time, this Ordinance (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2007 A Bonds.

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

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended.

"Bond Legislation" or "Ordinance" means this Ordinance and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" or "Registrar" means the Issuer, which shall usually so act by its Recorder.

"Bonds" means, collectively, the Series 2007 A Bonds and the Prior Bonds.

"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 Engineer" means Cerrone & Associates, Inc., Wheeling, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Council" means the West Virginia Infrastructure and Jobs development Council or any successor thereto.

"Depository Bank" means WesBanco, Inc., Masontown, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Depreciation Account" means the Depreciation Account established by Prior Ordinance.

"Facilities" or "sewerage facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" or "Council" means the Town Council of the Issuer.

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

"Herein" or "herein" shall refer to this entire Bond Legislation.

"Issuer" or "Borrower" means the Town of Masontown, a municipal corporation and political subdivision of the State of West Virginia, in Preston County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 11, 1997 amended June 24, 1999 ("Amendment 1"); amended February 14, 2000 ("Amendment 2"); amended July 27, 2001 ("Amendment 3") and amended June 21, 2006 ("Amendment 4"), and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2007 A Bonds in the then current or any succeeding year.

"Mayor" means the Mayor of the Issuer.

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

"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, other than those capitalized as part of the Costs, fees and expenses of the Purchaser, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein 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.

"Ordinances" means, collectively, the Prior Ordinances and the Bond Legislation.

"Prior Bonds" means the Sewer Revenue Bond, Series 2001 A (United States Department of Agriculture), and Sewer Revenue Bond, Series 2001 A (West Virginia Infrastructure Fund) of the Issuer described in Section 1.02(H) hereof and defined in this section.

"Prior Ordinances" means the ordinances of the Issuer, enacted July 30, 2001, authorizing the issuance of the Prior Bonds, as supplemented.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(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; 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 said 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;

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

"Recorder" means the Recorder of the Issuer.

"Registered Owner," "Bondholder," "Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Reserve Funds" means, collectively, the respective reserve funds for the Bonds and the Prior Bonds.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Series 2001 A Bond" means the Issuer's Sewer Revenue Bond, Series 2001 A (United States Department of Agriculture), dated August 22, 2001, issued in the original aggregate principal amount of \$850,000.

"Series 2001 B Bond" means the Sewer Revenue Bond, Series 2001 B (West Virginia Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000.

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture) authorized hereby to be issued pursuant to this Bond Legislation.

"State" means the State of West Virginia.

"System" means the complete public sewerage system of the Issuer and all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system, including the Project, and any and all additions, betterments, improvements, properties or other facilities at any time acquired or constructed for the sewerage system from any source whatsoever.

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

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; and any requirement for execution or attestation of the Series 2007 A Bonds or any certificate or other document by the Mayor or the Recorder shall mean that such Series 2007 A Bonds, certificate or other documents may be executed or attested by an Acting Mayor or Acting Recorder.

ARTICLE II

AUTHORIZATION OF COMPLETION OF THE ACQUISITION AND  
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Completion of the Acquisition and Construction of the Project. There is hereby authorized and ordered the completion of the acquisition and construction of the Project, at an estimated cost of \$262,600, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

The cost of the completion of the acquisition and construction of the Project is \$262,600, of which \$261,500 will be obtained from the proceeds of sale of the Series 2007 A Bonds and \$1,076 from unexpended funds from the Council grant and \$24 from the Issuer.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of this Bond Legislation, the Series 2007 A Bonds of the Issuer, to be known as "Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture), are hereby authorized to be issued in the maximum principal amount of \$261,500 for the purposes of permanently financing a portion of the cost of the completion of the acquisition and construction of the Project and paying cost of issuance thereof.

Section 3.02. Description of Bonds. The Series 2007 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated on the date of delivery thereof. The Series 2007 A Bonds shall bear interest from date of delivery, payable monthly at a rate not to exceed 4.375% per annum, and shall be sold for the par value thereof.

The Series 2007 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2007 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2007 A Bonds, and the right to the principal of and stated interest on the Series 2007 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2007 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2007 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2007 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2007 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar, and will keep or cause to be kept at its office by its agent, sufficient books for the registration and transfer of the Series 2007 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the

Series 2007 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2007 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2007 A Bonds for registration of transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust, and/or such other identifying number and information as may be required by law. The Series 2007 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2007 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Mayor and the seal of the Issuer shall be affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed has been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2007 A Bonds had not ceased to hold such office. The Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 2007 A Bonds shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2007 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2007 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2007 A Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2007 A Bond the Issuer may pay the same, and, if such Series 2007 A Bonds be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2007 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2007 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided,

are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2007 A Bonds and Prior Bonds as the same becomes due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Series 2007 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any ordinance enacted after the date of enactment hereof and prior to the issuance thereof:

(FORM OF SERIES 2007 A BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
TOWN OF MASONTOWN  
SEWER REVENUE BONDS, SERIES 2007 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$261,500

No. AR-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, on this the \_\_\_\_ day of \_\_\_\_\_, 2007, the TOWN OF MASONTOWN (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of TWO HUNDRED SIXTY-ONE THOUSAND FIVE HUNDRED DOLLARS (\$261,500), plus interest on the unpaid principal balance at the rate of \_\_\_\_\_% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$\_\_\_\_\_, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of additions, betterments and improvements to the sewerage system (the "System") of Borrower, is payable solely from and secured by the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (herein called the "Act"), and an Ordinance of Borrower duly enacted on \_\_\_\_\_, authorizing issuance of this Bond (the "Ordinance").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

**THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE BORROWER:**

(i) SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED AUGUST 22, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$850,000; AND

(ii) SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 22, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IN WITNESS WHEREOF, THE TOWN OF MASONTOWN has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF MASONTOWN

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Mayor  
\_\_\_\_\_  
(Title of Executive Official)

\_\_\_\_\_  
(P.O. Box No. or Street Address)

Masontown, West Virginia  
\_\_\_\_\_  
(Town, State and Zip Code)

ATTEST:

\_\_\_\_\_  
(Signature of Attesting Official)

Recorder  
\_\_\_\_\_  
(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ \_\_\_\_\_

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to  
\_\_\_\_\_  
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 Borrower with full power of substitution in the  
premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

In presence of:

\_\_\_\_\_

## ARTICLE IV

### SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created and established with (or continued if previously established by the Prior Ordinances), and shall be held by, the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Ordinance and continued hereby);
- (2) Depreciation Account (established by the Prior Ordinance and continued hereby);
- (3) Renewal and Replacement Fund (established by Prior Ordinance and continued hereby); and
- (4) Series 2007 A Project Construction Account.

Section 4.02. Establishment of Funds and Accounts with Commission . The following special funds or accounts are hereby created with (or continued if previously established by the Prior Ordinances) and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2001 A Bonds Reserve Account (established by the Prior Ordinance and continued hereby);
- (2) Series 2001 B Bonds Sinking Fund (established by the Prior Ordinance and continued hereby);
- (3) Series 2001 B Bonds Reserve Account (established by the Prior Ordinance and continued hereby);
- (4) Series 2007 A Bonds Reserve Account

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of sale of the Series 2007 A Bonds shall be deposited upon receipt by the Issuer in the Series 2007 A Project Construction Account. The moneys in the Series 2007 A Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Series 2007 A Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Series 2007 A Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Series 2007 A Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Series 2007 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Series 2007 A Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2007 A Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Flow of Funds. So long as the Series 2007 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2007 A Bonds remaining unpaid, together with interest accrued to the date of such payment, the Issuer further covenants with the Holder of the Series 2007 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Ordinances 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 provided in the Ordinances.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Ordinances not otherwise modified herein:

(1) The Issuer shall first, each month, transfer from the Revenue Fund the amount necessary to pay the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office the amount required to pay interest on the Series 2001 A Bonds, (ii) remit to the Commission, for deposit in the Series 2001 B Bonds Sinking Fund, the amounts required by the Prior Ordinances to pay the interest (if any) on the Series 2001 B Bonds; and (iii) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series

2007 A Bonds. All payments with respect to principal of and interest on the Prior Bonds and the Series 2007 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office the amount required to pay principal on the Series 2001 A Bonds, (ii) remit to the Commission, for deposit in the Series 2001 B Sinking Fund, the amounts required by the Prior Ordinance to pay the principal on the Series 2001 B; and (iii) beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the principal of the Series 2007 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Prior Bonds and the Series 2007 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, (i) the amounts required by the Prior Ordinance to be deposited in the respective Prior Bonds Reserve Accounts; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter for deposit into the Series 2007 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; Monies in the Series 2007 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2007 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2007 A Bonds, or for mandatory prepayment of the Series 2007 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2007 A Bonds Reserve Account, so long as the Series 2007 A Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(5) The Issuer shall next, (i) on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account, an amount equal to 0.8334% of the Series 2001 A Bonds Reserve Requirement, so long as the Series 2001 A Bonds are outstanding; provided, however, that in the event the revenues are insufficient to maintain the Series 2001 A Bonds Reserve Requirement in the Series 2001 A Bonds Reserve Account in accordance with Section above, or a withdrawal of funds from the Series 2001 A

Bonds Reserve Account is made, payment of revenues into the Depreciation Account as provided in this Section shall not be made, but instead such payments shall be made to the Series 2001 A Bonds Reserve Account until the Series 2001 A Reserve Requirement is accumulated therein, at which time payments to the Depreciation Account as provided in this section shall resume. (ii) remit to the Depository Bank for deposit in the Depreciation Account, an amount equal to 0.4167% of the Series 2007 A Bonds Reserve Requirement until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement and thereafter, an amount equal to 0.8334% of the Series 2007 A Bonds Reserve Requirement, so long as the Series 2007 A Bonds are outstanding; provided, however, that in the event the revenues are insufficient to maintain the Series 2007 A Bonds Reserve Requirement in the Series 2007 A Bonds Reserve Account in accordance with Section above, or a withdrawal of funds from the Series 2007 A Bonds Reserve Account is made, payment of revenues into the Depreciation Account as provided in this Section shall not be made, but instead such payments shall be made to the Series 2007 A Bonds Reserve Account until the Series 2007 A Reserve Requirement is accumulated therein, at which time payments to the Depreciation Account as provided in this section shall resume. All funds in the Depreciation Account shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested in accordance with the Prior Ordinance. Withdrawals and disbursements may be made from the Depreciation Account for replacements, repairs, improvements or extensions to the System; provided, that any deficiency in the Series 2001 A Bonds Reserve Account or the Series 2007 A Bonds 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 hereof) shall be promptly eliminated with moneys from the Depreciation Account, and (iii) remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 ½ % of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System, provided that, any deficiencies in any 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 hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein, may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the moneys in the Series 2007 A Bonds Reserve Account shall be sufficient to prepay the Series 2007 A Bonds in full, it shall be the mandatory duty of the Issuer,

anything to the contrary herein notwithstanding, to prepay the Series 2007 A Bonds, at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Depreciation Account and the Renewal and Replacement Fund as herein provided, and all amounts required for the Depreciation Account and Renewal and Replacement Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written directions stating the amount remitted for deposit into each such fund.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2007 A Bonds Reserve Account as herein provided, and all amounts required for the Series 2007 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

The Revenue Fund shall constitute a Trust Fund and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2007 A Bonds and the interest thereon, on a parity with the Prior Bonds.

The Series 2007 A Bonds Reserve Account shall constitute a trust fund and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2007 A Bonds and the interest thereon.

The Issuer shall, on the first day of each month (if the first day is not a business day, then the first business day if each month), deposit with the Commission the required reserve account payments with respect to the Series 2007 A Bonds 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.

All funds provided for in this Article (excluding the Series 2007 A Project Construction Account) shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the interest thereon.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2007 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then outstanding.

Subject to the Prior Ordinances, the Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Series 2007 A Bonds Reserve Account, the Depreciation Account and the Renewal and Replacement Fund invested and reinvested to the fullest extent possible, in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or in the Prior Ordinances, or unless otherwise required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings on moneys in the Series 2007 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer to be deposited in the Revenue Fund.

C. **CHANGE OF DEPOSITORY BANK.** The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. **USER CONTRACTS.** The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be at least 546 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

E. **CHARGES AND FEES.** The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank then due.

F. **INVESTMENT OF EXCESS BALANCES.** The moneys in excess of the sum insured by FDIC in any of such funds or accounts 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 security for deposits of State and municipal funds under the laws of the State of West Virginia.

G. **REMITTANCES.** All remittances made by the Issuer to the Commission or the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

H. **GROSS REVENUES.** The Gross Revenues of the System shall only be used for purposes of the System.

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of advances of principal of the Series 2007 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$261,500 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial

bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2007 A Bonds. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

## ARTICLE V

### GENERAL COVENANTS

Section 5.01. General Statement. So long as the Series 2007 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 A Bonds Reserve Account a sums sufficient to prepay the entire principal of the Series 2007 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2007 A Bonds.

Section 5.02. Rates. Prior to the issuance of the Series 2007 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the 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. 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, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 Bonds and the Prior Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 Bonds and the Prior Bonds; provided that, in the event that an amount equal to or in excess of the reserve requirement is on deposit respectively in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2007 Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 Bonds.

Section 5.03. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System or any part thereof, except as provided in the Prior Ordinances. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2007 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds or obligations payable out of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

So long as the Series 2001 A Bonds and the Series 2007 A Bonds are outstanding, 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, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Series 2007 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2001 A Bonds and the Series 2007 A Bonds are no longer outstanding, the following parity requirement shall be met:

So long as Series 2001 B Bonds are outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, 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 expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, 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 expected 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 the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer,

the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, 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 herein above 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 Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity 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 and the Prior Ordinances with respect to the Series 2007 A Bonds and Prior 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 and the Prior Ordinances.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2007 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance 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 \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2007 A Bonds.

C. VEHICULAR PUBLIC LIABILITY INSURANCE, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

D. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF THE ISSUER ELIGIBLE THEREFOR AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' Compensation coverage will be maintained as provided by law.

E. FLOOD INSURANCE to be procured, to the extent available at reasonable cost to the Issuer; provided, however, if the Issuer is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

F. FIDELITY BONDS will be provided as to every member of the Governing Body and as to every officer and employee of the Issuer having custody of the Revenue Fund or of any Revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

G. Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2007 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2007 A Bonds.

Section 5.07.      Events of Default. Each of the following events is hereby declared an "Event of Default":

A.      Failure to make payment of any monthly amortization installment upon the Series 2007 A Bonds at the date specified for payment thereof;

B.      Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2007 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law; and

C.      If a default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 5.08.      Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser as provided in the Act, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct; provided that, all rights and remedies of the Holders of the Prior Bonds shall be on a parity with the Series 2007 A Bonds.

Section 5.09.      Fiscal Year; Budget. While the Series 2007 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed

the budget for the corresponding month in the next preceding year by more than 10%; and provided further that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of enactment hereof, subject to permitted changes.

Section 5.11. Books and Records; Audits. The Issuer will keep books, accounts and records of the System, in accordance with the Act, 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, including, without limitation, the amount of Revenues received from the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants, which report of such audit shall be open to the public for inspection at all reasonable times, and the Issuer shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.12. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and repair and maintain the System as a revenue-producing utility as herein provided so long as the Series 2007 A Bonds are outstanding.

Section 5.13. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the rate ordinance of the Issuer enacted on June 14, 2007, which rate ordinance is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be a lien on the premises served of equal degree, rank and priority with the lien on such premise of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges, including, without limitation, any right and power of foreclosure under the Act and/or such other applicable provisions of law.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises. The Issuer shall additionally have such powers as provided under the Act with respect to collection of rates and charges for the System.

G. The fees, rates and charges above provided will be increased whenever such increase is necessary in order to comply fully with all provisions hereof, and the Issuer shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide revenues to meet its payments and obligations provided hereunder and under the Prior Ordinances.

## ARTICLE VII

### MISCELLANEOUS

Section 7.01. Payment of Bonds; Bonds Not Subject to Defeasance. If the Issuer shall pay or there shall otherwise be paid to the Holder of the Series 2007 A 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 with respect to the Series 2007 A Bonds, the pledge of Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2007 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment to the Holder of the Series 2007 A Bonds of the outstanding principal of and accrued interest on the Bonds, the Issuer may not defease the Series 2007 A Bonds or otherwise provide for the payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. Prior to issuance of the Series 2007 A Bonds, this Ordinance may be amended or supplemented in any way by ordinance or resolution. Following issuance of the Series 2007 A Bonds, no modification or amendment of this Ordinance, or any ordinance or resolution amendatory hereof or supplemental hereto, shall be made without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Mayor is hereby authorized and directed to cause the Bond, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 7.05. Prior Ordinances; Conflicting Provisions Repealed. The Prior Ordinances and all parts thereof not hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Ordinances.

All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47) and the Prior Ordinances.

Section 7.06.      Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07.      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 adoption and 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 Governing Body 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 7.08.      Effective Time. This Bond Legislation shall take effect following public hearing hereon in accordance with the Act.

Section 7.09.      Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation, determined by the Council to contain sufficient information as to give notice of the contents hereof, shall be published once a week for 2 successive weeks within a period of 14 consecutive days, with at least 6 full days intervening between each publication, in *The Preston County Journal*, being qualified newspaper of general circulation in the Town of Masontown, together with a notice stating that this Ordinance has been adopted, that the Issuer contemplates the issuance of the Bond, that any person interested may appear before the Council upon a date certain, not less than 10 days subsequent to the date of the first publication of the said abstract and notice and not prior to the last date of such publication, and present protests, and that a certified copy of the Ordinance is on file with the Council for review by interested persons during the office hours of the Council. At such hearing, all protests and suggestions shall be heard and the Council shall take such action as it shall deem proper in the premises.

Passed on First Reading:      December 13, 2006

Passed on Second Reading:      January 10, 2007

Passed on Final Reading  
Following Public Hearing:      January 24, 2007

  
\_\_\_\_\_  
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the Town of Masontown on the 24th day of January, 2007, which Ordinance has not been repealed, rescinded, modified, amended or revoked as witness my hand and the seal of the Town of Masontown on this 20th day of April, 2007.

[SEAL]

  
Recorder



TOWN OF MASONTOWN

**SEWER REVENUE BONDS,  
SERIES 2001 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE),  
AND SERIES 2001 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND ORDINANCE

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TOWN OF MASONTOWN

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF A NEW SEWERAGE SYSTEM OF THE TOWN OF MASONTOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF MASONTOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01.      Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A.      The Town of Masontown (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Preston County of said State.

B. The Issuer does not presently own or operate a public sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed a public sewerage system of the Issuer, consisting of improvements to its wastewater collection system and construction of a wastewater treatment plant, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection and/or treatment, purification and disposal of liquid and solid waste, sewage, night soil and industrial waste (the Project and any further additions, betterments and improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer presently shares with the Town of Reedsville outstanding obligations of Valley Sanitary District, which are held by the West Virginia Water Development Authority (the "Authority"), being the STEP I Loan dated December 24, 1975, in the original aggregate principal amount of \$12,000 (the "STEP I Loan"), and the STEP II Loan dated March 6, 1980, in the original aggregate principal amount of \$105,829 (the "STEP II Loan"). The Issuer's portion of the STEP I Loan is equal to a principal amount of \$9,000, with a service charge in the amount of \$90, and the Issuer's portion of the STEP II Loan is equal to a principal amount of \$79,372, with a service charge in the amount of \$793.72, for a total of \$89,255.72.

The Issuer hereby determines and affirms that it is in the best interest of the public and necessary for the completion of the Project that its portion of the STEP I Loan and STEP II Loan and the service charges due thereon, be paid upon issuance of the Series 2001 Bonds from the proceeds thereof and hereby authorizes any and all actions necessary to accomplish such payment.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than \$3,000,000 in two series, being the Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$1,000,000 (the "Series 2001 A Bonds"), and the Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$2,000,000 (the "Series 2001 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project (collectively, the "Series 2001 Bonds"). The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor;

interest upon the Series 2001 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in any Reserve Account (as hereinafter defined); amounts necessary to pay the Issuer's portion of the outstanding principal of and administrative fees for the STEP I Loan and the STEP II Loan; engineering and legal expenses; expenses for estimates of costs 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, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2001 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction 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 Series 2001 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2001 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined) and its Series 2001 B Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the Issuer, the Authority and the Council, approved hereby if not previously approved by resolution of the Issuer.

H. There are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Series 2001 A Bonds and the Series 2001 B Bonds shall be issued on a parity with each other, with respect to liens, pledge and source of and security for payment.

I. The Issuer has complied with all requirements of West Virginia law, the Letter of Conditions and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, including, without limitation, the imposition of rates and charges, repayment of the Issuer's portion of the STEP I Loan and the STEP II Loan, and the issuance of the Series 2001 Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the Council and 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 will either have expired prior to the issuance of the Series 2001 Bonds or such final order will not be subject to appeal.

J. Pursuant to the Act, the Council has approved the Project and has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund.

K. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Governing Body to issue the Series 2001 Bonds for the purposes set forth herein.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2001 Bonds by 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 Bondholders 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 and 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, collectively, Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2001 B Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Mayor of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

"Bondholder," "Holder of the Bonds," "Holder," "Registered Owner" 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," "Ordinance," "Bond Ordinance" or "Local Act" means this Bond Ordinance and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 2001 A Bonds, the Series 2001 B Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Closing Date" means the date upon which there is an exchange of the Series 2001 A Bonds for all or a portion of the proceeds of the Series 2001 A Bonds from the Purchaser and the Series 2001 B Bonds for all or a portion of the proceeds of the Series 2001 B Bonds from the Authority and the Council.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"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 Cerrone & Associates, Inc., Wheeling, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Depreciation Account" means the Depreciation Account established by Section 5.01 hereof.

"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" means the council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the council as presently constituted.

"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" means, collectively, all grant moneys received by the Issuer for the Project.

"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 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" means 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.

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means the Town of Masontown, a municipal corporation and political subdivision of the State of West Virginia, in Preston County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 11, 1997, Amendment No. 1 to Letter of Conditions dated June 24, 1999, Amendment No. 2 to Letter of Conditions dated February 14, 2000, and all other amendments thereto, providing for the purchase of the Series 2001 A Bonds from the Issuer by the Purchaser.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2001 B Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2001 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the any Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2001 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"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, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein 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.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar, at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X 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 7.07 hereof.

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 2001 B Bonds by the Issuer in the Supplemental Resolution.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02B hereof.

"Purchaser" or "Government" means the United States Department of Agriculture and any successor thereof acting for and on behalf of the United States of America, which is expected to be the original purchaser and Registered Owner of the Series 2001 A Bonds.

"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; 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, 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 said 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;

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Recorder" means the Recorder of the Issuer.

"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 Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2001 Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

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

"Sanitary Board" means the Sanitary Board of the Issuer.

"Series 2001 Bonds" means, collectively, the Series 2001 A Bonds and the Series 2001 B Bonds.

"Series 2001 A Bonds" means the Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), of the Issuer, authorized by this Ordinance.

"Series 2001 A Bonds Construction Trust Fund" means the Series 2001 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2001 A Bonds Reserve Account" means the Series 2001 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2001 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2001 A Bonds in the then current or any succeeding year.

"Series 2001 B Bonds" means the Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Ordinance.

"Series 2001 B Bonds Construction Trust Fund" means the Series 2001 B Bonds Construction Trust Fund created by Section 5.01 hereof.

"Series 2001 B Bonds Reserve Account" means the Series 2001 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 2001 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2001 B Bonds in the then current or any succeeding year.

"Series 2001 B Bonds Sinking Fund" means the Series 2001 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2001 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2001 Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, including, without limitation, the Reserve Accounts, the Depreciation Account and the Renewal and Replacement Fund.

"System" means the complete new sewerage system of the Issuer and all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the sewerage system from any sources whatsoever, both within and without the Issuer.

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

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

Additional terms and phrases are defined in this Ordinance as they are used. 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 ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$6,876,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser, the Authority and the Council.

The cost of the Project is estimated not to exceed \$6,876,000, of which approximately \$1,000,000 will be obtained from proceeds of the Series 2001 A Bonds, approximately \$2,000,000 will be obtained from proceeds of the Series 2001 B Bonds, approximately \$1,746,000 will be obtained from proceeds of grants from the Purchaser, approximately \$500,000 will be obtained from proceeds of a grant from the Council, approximately \$1,250,000 will be obtained from proceeds of a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) and approximately \$380,000 will be obtained from tap fees collected by the Town of Reedsville.

### ARTICLE III

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

Section 3.01.      Authorization of Bonds. For the purposes of capitalizing interest on the Series 2001 Bonds, funding reserve accounts for the Series 2001 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2001 A Bonds and the Series 2001 B Bonds of the Issuer. The Series 2001 A Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2001 A (United States Department of Agriculture)", in the principal amount of not more than \$1,000,000; and the Series 2001 B Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2001 B (West Virginia Infrastructure Fund)", in the principal amount of not more than \$2,000,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2001 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2001 Bonds, if any, shall be deposited in or credited to the respective Bond Construction Trust Funds established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02.      Terms of Bonds. A. The Series 2001 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly 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 the Supplemental Resolution or as specifically provided in the Series 2001 A Bond.

B. The Series 2001 B Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly 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 the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2001 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency 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, if any, on the Series 2001 B Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2001 A Bonds shall initially be issued in the form of a single bond, fully registered to the Purchaser,

with a record of advances attached representing the aggregate principal amount of the Series 2001 A Bonds. The Series 2001 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2001 B Bonds, all as provided in the Supplemental Resolution. The Series 2001 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Purchaser nor the Authority shall be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, in such denominations, dated such dates and bear interest at such rates as determined by a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2001 Bonds shall be executed in the name of the Issuer by the Mayor, and the seal 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 the Series 2001 Bonds shall cease to be such officer of the Issuer before the Series 2001 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. Bond Registrar; Authentication and Registration. A. The Issuer shall be the Bond Registrar with respect to the Series 2001 A Bonds and will keep or cause to be kept at its office by its agent, sufficient books for the registration and transfer of the Series 2001 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2001 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2001 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2001 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust, and/or such other identifying number and

information as may be required by law. The Series 2001 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2001 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

B. The Bond Registrar with respect to the Series 2001 B Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2001 B 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 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Series 2001 B Bonds shall be conclusive evidence that such Series 2001 B Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2001 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2001 B Bonds issued hereunder. The provisions of this Section 3.04 relating to authentication shall not apply to the Series 2001 A Bonds, notwithstanding anything herein to the contrary.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2001 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 the Series 2001 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.

So long as the Series 2001 Bonds remain outstanding, the Bond Registrar for the Series 2001 Bonds shall keep and maintain books for the registration and transfer of such Bonds.

The registered Bonds shall be transferable only upon the books of the Bond 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 Bond 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, all 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 Bond Registrar. For every such exchange or transfer of Bonds, the Bond 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 Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next 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, and ending on such interest payment date or redemption date.

Section 3.06.      Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2001 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so 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 Bond 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 Series 2001 Bonds shall not, in any event, be or constitute a corporate 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 the Series 2001 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2001 Bonds or the interest, if any, thereon.

Section 3.08.      Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all Series 2001 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, if any, on and other payments for the Series 2001 Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09.      Delivery of Bonds. A. With respect to the Series 2001 A Bonds, the Mayor is hereby authorized and directed to cause such Bonds, hereby awarded to the Purchaser pursuant to the Letter of Conditions, to be delivered to the Purchaser on the date of delivery of the Series 2001 B Bonds.

B. The Issuer shall execute and deliver the Series 2001 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2001 B Bonds to the original purchasers upon receipt of the documents set forth below:

(1) If other than the Authority, a list of the names in which the Series 2001 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(2) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2001 B Bonds to the original purchasers;

(3) An executed and certified copy of the Bond Legislation;

(4) An executed copy of the Loan Agreement; and

(5) The unqualified approving opinion of bond counsel on the Series 2001 B Bonds.

Section 3.10.      Form of Bonds. The text of the Series 2001 A Bonds and the Series 2001 B Bonds shall be in substantially the following respective forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2001 A BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
TOWN OF MASONTOWN  
SEWER REVENUE BOND, SERIES 2001 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, the TOWN OF MASONTOWN (the "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), plus interest on the unpaid principal balance at the rate of \_\_\_\_% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$ \_\_\_\_\_, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of a new public sewerage system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Ordinance. This Bond does not in any manner constitute a corporate indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on \_\_\_\_\_, 20\_\_\_\_, and a Supplemental Resolution of the Borrower duly adopted on \_\_\_\_\_, 20\_\_\_\_, authorizing issuance of this Bond (collectively, the "Ordinance").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED \_\_\_\_\_, 20\_\_\_\_, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_.

IN WITNESS WHEREOF, the TOWN OF MASONTOWN has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF MASONTOWN  
(Name of Borrower)

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Mayor  
(Title of Executive Official)

Post Office Box 340  
(P.O. Box No. or Street Address)

Masontown, West Virginia 26542  
(City, State and Zip Code)

ATTEST:

\_\_\_\_\_  
(Signature of Attesting Official)

Recorder  
(Title of Attesting Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL                    \$ \_\_\_\_\_

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to \_\_\_\_\_  
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 Borrower with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

In presence of:

\_\_\_\_\_

(FORM OF SERIES 2001 B BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
TOWN OF MASONTOWN  
SEWER REVENUE BOND, SERIES 2001 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR- \_\_\_\_\_

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MASONTOWN, a municipal corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing \_\_\_\_\_ 1, \_\_\_\_\_, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, 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 (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated \_\_\_\_\_, 20\_\_\_\_.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of a new public sewerage system of the Issuer (the "Project"); (ii) to pay the Issuer's portion of the STEP I Loan and STEP II Loan of Valley Sanitary District; and (iii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The Project and any further additions, betterments or improvements thereto are herein called the

"System." 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 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on \_\_\_\_\_, 20\_\_\_\_, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 20\_\_\_\_ (collectively, 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 ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED \_\_\_\_\_, 20\_\_\_\_, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_ (THE "SERIES 2001 A BONDS").

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, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2001 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2001 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, 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 limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 B Bonds Reserve Account and unexpended proceeds of the Bonds. 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 shall be sufficient, together with other revenues of the System, 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 payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2001 A Bonds; provided however, that so long as there exists in the Series 2001 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2001 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. 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.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of Branch Banking and Trust Company, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, 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 registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, 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 Net 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 this Bond.

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

IN WITNESS WHEREOF, the TOWN OF MASONTOWN has caused this Bond to be signed by its Mayor, and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated \_\_\_\_\_, 20 \_\_\_\_.

[SEAL]

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2001 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: \_\_\_\_\_, 20\_\_\_\_.

BRANCH BANKING AND TRUST COMPANY,  
as Registrar

\_\_\_\_\_  
Authorized Officer



EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

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:

\_\_\_\_\_

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. A. The Series 2001 A Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

B. The Series 2001 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. "Amended Schedule B" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Purchaser, the Authority and the Council a schedule, the forms of which will be provided by the Purchaser, the Authority and the Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

## ARTICLE V

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01.      Establishment of Funds and Accounts with Depository Bank.  
The following special funds or accounts are hereby created with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund;
- (2) Depreciation Account;
- (3) Renewal and Replacement Fund;
- (4) Series 2001 A Bonds Construction Trust Fund; and
- (5) Series 2001 B Bonds Construction Trust Fund.

Section 5.02.      Establishment of Funds and Accounts with Commission.  
The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2001 A Bonds Reserve Account;
- (2) Series 2001 B Bonds Sinking Fund; and
- (3) Series 2001 B Bonds Reserve Account.

Section 5.03.      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 provided in this Bond Legislation. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

- (1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the National Finance Office the amount required to pay interest on the Series 2001 A Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2001 A Bonds, the amount required to amortize the principal of the Series 2001 A Bonds over the life of the bond issue; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2001 B Bonds, for deposit in the Series 2001 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2001 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineer, if not fully funded upon the issuance of the Series 2001 Bonds, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2001 A Bonds Reserve Account, an amount equal to 0.4167% of the Series 2001 A Bonds Reserve Requirement, until the amount in the Series 2001 A Bonds Reserve Account equals the Series 2001 A Bonds Reserve Requirement; provided that no further payments shall be made into the Series 2001 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2001 A Bonds Reserve Requirement; and (ii) for deposit in the Series 2001 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2001 B Bonds Reserve Requirement, until the amount in the Series 2001 B Bonds Reserve Account equals the Series 2001 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2001 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2001 B Bonds Reserve Requirement. In the event revenues are insufficient to maintain the Series 2001 A Bonds Reserve Requirement in the Series 2001 A Bonds Reserve Account in accordance with Section 5.03A(4)(i), or a withdrawal of funds from the Series 2001 A Bonds Reserve Account is made, payment of revenues to the Depreciation Account as provided in Section 5.03A(5) below shall not be made, but instead such payments shall be made to the Series 2001 A Bonds Reserve Account until the Series 2001 A

Bonds Reserve Requirement is accumulated therein, at which time payments to the Depreciation Account as provided in Section 5.03A(5) below shall resume.

(5) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Account, an amount equal to 0.4167% of the Series 2001 A Bonds Reserve Requirement until the amount in the Series 2001 A Bonds Reserve Account equals the Series 2001 A Bonds Reserve Requirement and thereafter, an amount equal to 0.8334% of the Series 2001 A Bonds Reserve Requirement, so long as the Series 2001 A Bonds are outstanding; provided, however, that in the event revenues are insufficient to maintain the Series 2001 A Bonds Reserve Requirement in the Series 2001 A Bonds Reserve Account in accordance with Section 5.03A(4)(i) above, or a withdrawal of funds from the Series 2001 A Bonds Reserve Account is made, payment of revenues into the Depreciation Account as provided in this Section 5.03A(5) shall not be made, but instead such payments shall be made to the Series 2001 A Bonds Reserve Account until the Series 2001 A Bonds Reserve Requirement is accumulated therein, at which time payments to the Depreciation Account as provided in this Section 5.03A(5) shall resume. All funds in the Depreciation Account shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Account for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 2001 A Bonds 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 hereof) shall be promptly eliminated with moneys from the Depreciation Account.

(6) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in the Series 2001 B Bonds 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 hereof)

shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(7) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose of the System.

Moneys in the Series 2001 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2001 A Bonds as the same shall come due, when other moneys are insufficient therefor, and for no other purpose. Whenever the moneys in the Series 2001 A Bonds Reserve Account shall be sufficient to prepay the Series 2001 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2001 A Bonds accrued interest thereon to such prepayment date.

Moneys in the Series 2001 B Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2001 B Bonds as the same shall become due. Moneys in the Series 2001 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2001 B Bonds as the same shall come due, when other moneys in the Series 2001 B Bonds Sinking Fund are insufficient therefor, and for no other purpose. Whenever the moneys in the Series 2001 B Bonds Reserve Account shall be sufficient to prepay the Series 2001 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2001 B Bonds and accrued interest, if any, thereon to such prepayment date.

All investment earnings on moneys in the Series 2001 A Bonds Reserve Account (if fully funded), the Series 2001 B Bonds Sinking Fund and the Series 2001 B Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the respective Bonds Construction Trust Funds, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2001 A Bonds and the Series 2001 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2001 A Bonds Reserve Account or the Series 2001 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 2001 A Bonds Reserve Requirement or the Series 2001 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2001 A Bonds Reserve Account or the Series 2001 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2001 A Bonds and the Series 2001 B Bonds in accordance with the respective principal amounts then Outstanding.

The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser, the Council and the Authority.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2001 A Bonds Reserve Account, the Series 2001 B Bonds Sinking Fund and the Series 2001 B Bonds Reserve Account created hereunder, and all amounts required for such funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Purchaser, the Authority or the Council at any time, the Issuer shall make the necessary arrangements whereby required payments into the said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2001 A Bonds Reserve Account, the Series 2001 B Bonds Sinking Fund and the Series 2001 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2001 A Bonds Reserve Account, the Series 2001 B Bonds Sinking Fund and the Series 2001 B Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2001 A Bonds and the Series 2001 B Bonds, respectively, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) remit to the Purchaser and the Commission, as applicable, the required principal, interest and reserve account payments with

respect to the Series 2001 Bonds and all such payments shall be remitted to the Purchaser and the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form, together with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges, fees and expenses then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by either the Authority or the Council at any time, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any fund or account 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 security for deposits of state and municipal funds under the laws of the State.

G. 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; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. All remittances made by the Issuer to the Commission or the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

## ARTICLE VI

### BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 2001 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2001 A Bonds, there shall be deposited with the Commission in the Series 2001 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2001 A Bonds Reserve Account.

B. From the proceeds of the Series 2001 B Bonds, there shall be deposited with the Commission in the Series 2001 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2001 B Bonds Reserve Account.

C. Next, from the proceeds of the Series 2001 A Bonds, there shall be paid to the Authority a portion of the Issuer's portion of the principal of and service charge on the STEP I and STEP II Loans of Valley Sanitary District.

D. Next, from the proceeds of the Series 2001 B Bonds, there shall be paid to the Authority the balance of the Issuer's portion of the principal of and service charge on the STEP I and STEP II Loans of Valley Sanitary District to pay such loans in full.

E. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2001 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2001 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2001 A Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2001 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2001 B Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2001 B Bonds.

G. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2001 A Bonds shall be expended as directed by the Purchaser and any remaining proceeds of the Series 2001 B Bonds shall be expended as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. Moneys in the Series 2001 A Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will transfer from the Series 2001 A Bonds Construction Trust Fund and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Series 2001 A Bonds Bonds if there are not sufficient Net Revenues to make such monthly payment.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2001 A Bonds Construction Trust Fund shall be disposed of in accordance with the regulations of the Purchaser.

B. To make disbursements from the Series 2001 B Bonds Construction Trust Fund, the Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project from the Series 2001 B Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2001 B Bonds Construction Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

(ii) 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;

(iii) Each of such costs has been otherwise properly incurred; and

(iv) Payment for each of the items proposed is then due and owing.

After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2001 B Bonds shall be used as directed in writing by the Council and the Authority.

The Issuer shall expend all proceeds of the Series 2001 B Bonds within 3 years of the date of the issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, moneys in the respective Bond Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## ARTICLE VII

### ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01.      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 Series 2001 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 Series 2001 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2001 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02.      Bonds not to be Indebtedness of the Issuer. The Series 2001 Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2001 Bonds or the interest, if any, thereon.

Section 7.03.      Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Series 2001 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2001 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04.      Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted on January 13, 2000, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2001 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the

schedule of rates and charges initially established for the System in connection with the Series 2001 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer 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 and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05.      Sale of the System. So long as the Series 2001 Bonds are outstanding and except as otherwise required by law or with the written consent of the Purchaser, the Authority and the Council, 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 fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2001 A Bonds, immediately be remitted to the National Finance Office, and with respect to the Series 2001 B Bonds, immediately be remitted to the Commission for deposit in the Series 2001 B Bonds Sinking Fund, and, with the written consent of the Purchaser, the Authority and the Council, the Issuer shall direct the National Finance Office and the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2001 Bonds. Any balance remaining after the payment of all the Series 2001 Bonds and interest, if any, thereon shall be remitted to the Issuer 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 resolution duly adopted, 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 dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, in writing, determine upon consultation with a professional engineer 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 resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into such fund 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 Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. 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 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 and Section 7.07 hereof, 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. 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 all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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.

The Issuer shall give the Purchaser, the Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the System, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2001 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2001 Bonds, and must have the prior written consent of the Purchaser, the Authority and the Council.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the design, acquisition or construction of additions, betterments or improvements to the System or refunding the 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, 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, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, 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 any improvements to be financed by such additional Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, 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 Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which has expired (without successful appeal) prior to issuance of 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 theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, 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 of one series over any other Bond of the same series. 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.

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 liens of the Series 2001 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 Series 2001 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.

Section 7.08.      Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Purchaser, the Authority and the Council or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Purchaser, the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Purchaser, the Authority and the Council or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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 Purchaser, the Council and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of the Bonds, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus 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 and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2001 Bonds and shall submit said report to the Purchaser, the Authority and the Council, or any other original purchaser of the Series 2001 Bonds. Such audit report submitted to the Purchaser, the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. 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 Issuer.

The Issuer shall permit the Purchaser, the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Purchaser, the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority, the Council and the Purchaser with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2001 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the 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. 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, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2001 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2001 Bonds; provided that, in the event that an amount equal to or in excess of the reserve requirement is on deposit respectively in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2001 Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2001 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2001 Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinances described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. 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 revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Purchaser, the Authority and the Council within 30 days of adoption thereof. 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 a registered professional engineer, 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 a registered professional engineer 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 within 30 days of adoption to the Purchaser, the Authority and the Council, or to any Holder of the 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 Purchaser, the Council, the Authority and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Purchaser, the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Purchaser, the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Purchaser, the Authority and the Council 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 engineer shall certify to the Purchaser, the Authority, the Council and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

Section 7.12. 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 7.13.      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 proceedings 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 and regulations of the Public Service 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. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, 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 of the System, and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the waterworks facilities are not owned by the Issuer, the Issuer will, to the extent allowed by law, use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14.      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 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 7.15.      Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as 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:

(1) 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 the 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, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Purchaser, the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) 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 \$500,000 per occurrence from claims for damage 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 of or for the System.

(3) 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.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 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. The Issuer shall verify such bonds prior to commencement of construction.

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; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. 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 7.17. Completion of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Letter of Conditions, Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, the Loan Agreement, the Act and this Bond Legislation. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Purchaser, the Authority and the Council, or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System. The Issuer shall provide the Council with copies of all documents submitted to the Purchaser and the Authority.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2001 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2001 Bonds during the term thereof is, under the terms of the Series 2001 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for

a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2001 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2001 Bonds during the term thereof is, under the terms of the Series 2001 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2001 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2001 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2001 Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2001 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. To the extent legally required, the Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2001 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2001 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2001 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2001 Bonds.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2001 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Purchaser and the Council for written approval. The Issuer shall obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2001 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2001 Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the Purchaser, the Authority and the Council in any press release, publication, program, bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

## ARTICLE VIII

### INVESTMENT OF FUNDS; USE OF PROCEEDS

Section 8.01.      Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation other than the Revenue Fund, 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 written 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 8.01.

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, or at par if such investment is held in the "Consolidated Fund." The Commission 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 may make any and all investments permitted by this section through its own investment or trust department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if reasonably requested by the Issuer), a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02.      Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2001 Bonds as a condition to issuance of the Series 2001 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2001 Bonds as may be necessary in order to maintain the status of the Series 2001 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of

the Series 2001 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2001 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2001 Bonds and any additional information requested by the Authority.

## ARTICLE IX

### DEFAULT AND REMEDIES

Section 9.01.      Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2001 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2001 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2001 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2001 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on any series of the Series 2001 Bonds, it shall constitute an "Event of Default" with respect to the other series of the Series 2001 Bonds.

Section 9.02.      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; provided that, all rights and remedies of the Holders of the Series 2001 A Bonds and the Series 2001 B Bonds shall be on a parity with each other.

Section 9.03.      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, the completion of the Project and 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 or to complete the acquisition and construction of the Project 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 completion of the Project and 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 the 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 X

### PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2001 Bonds, the principal of and interest, if any, 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 Owner of the Series 2001 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2001 Bonds from gross income for federal income tax purposes.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2001 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2001 Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2001 Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2001 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the 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, if any, 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 the Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2001 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2001 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 11.03. 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 Resolution or the Series 2001 Bonds.

Section 11.04. 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 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed; provided that, this Section shall not be applicable to the Loan Agreement or the Loan Resolution (Form FmHA 442-47).

Section 11.06. 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 adoption 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, the Recorder and members of the Governing Body 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 11.07. Effective Date. This Ordinance shall take effect immediately following the public hearing and final reading hereof.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in The Preston County Journal, a newspaper of general circulation in the Town of Masontown, no newspaper being published therein, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading: - June 28, 2001

Passed on Second Reading: - July 11, 2001

Passed on Final Reading  
Following Public  
Hearing: - July 30, 2001

  
\_\_\_\_\_  
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF MASON TOWN on the 30th day of July, 2001.

Dated: August 22, 2001.

[SEAL]

  
\_\_\_\_\_  
Recorder

07/30/01  
561890/98001

TOWN OF MASONTOWN

Sewer Revenue Bonds,  
Series 2001 A (United States Department of Agriculture) and  
Series 2001 B (West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE TOWN OF MASONTOWN; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2001 B BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2001 A BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2001 B BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Town Council (the "Governing Body") of the Town of Masontown (the "Issuer") has duly and officially adopted a bond resolution, effective July 30, 2001 (the "Bond Ordinance" or the "Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF A NEW SEWERAGE SYSTEM OF THE TOWN OF MASONTOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT

MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Ordinance when used herein;

WHEREAS, the Bond Ordinance provides for the issuance of Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture) and Series 2001 B (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2001 A Bonds" and the "Series 2001 B Bonds"), in the respective aggregate principal amounts not to exceed \$1,000,000 and \$2,000,000, and has authorized the execution and delivery of the loan agreement relating to the Series 2001 B Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Series 2001 A Bonds are proposed to be purchased by the United States Department of Agriculture, acting for and on behalf of the United States of America (the "Purchaser") pursuant to a Letter of Conditions, and all amendments, and the

Series 2001 B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates, the sale prices and other terms 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 THE TOWN OF MASONTOWN:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of \$850,000. The Series 2001 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.875% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 2001 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of \$4,106 on the corresponding day of each month, except that the final installment shall be paid at the end of forty years from the date of the Series 2001 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2001 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2001 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

B. Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$1,500,000. The Series 2001 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2041, and shall bear no interest. The principal of the Series 2001 B Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, and maturing June 1, 2041, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2001 B Bonds. The Series 2001 B Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan

Agreement, so long as the Authority shall be the registered owner of the Series 2001 B Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The Issuer does hereby authorize, approve and accept the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2001 A Bonds and the Series 2001 B Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate Branch Banking and Trust Company, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2001 B Bonds under the Bond Ordinance and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2001 B Bonds under the Bond Ordinance.

Section 6. The Issuer does hereby appoint and designate WesBanco Bank, Masontown, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 7. Series 2001 A Bonds proceeds in the amount of \$32,255 shall be remitted to the Authority to pay a portion of the outstanding principal of and service charge on the Step I and Step II Loans of Valley Sanitary District.

Section 8. All proceeds of the Series 2001 A Bonds shall be deposited in or credited to the Series 2001 A Bonds Construction Trust Fund as received from the Purchaser from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2001 A Bonds.

Section 9. Series 2001 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2001 B Bonds Sinking Fund, as capitalized interest.

Section 10. Series 2001 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2001 B Bonds Reserve Account.

Section 11. Series 2001 B Bonds proceeds in the amount of \$57,000 shall be remitted to the Authority to pay the balance of the outstanding principal of and service charge on the Step I and Step II Loans of Valley Sanitary District.

Section 12. The balance of the proceeds of the Series 2001 B Bonds shall be deposited in or credited to the Series 2001 B Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 13. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Ordinance approved and provided for, to the end that the Series 2001 A Bonds may be delivered on or about August 22, 2001, to the Purchaser pursuant to the Letter of Conditions, and the Series 2001 B Bonds may be delivered on or about August 22, 2001, to the Authority pursuant to the Loan Agreement.

Section 14. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Moneys in the Series 2001 A Bonds Reserve Account, the Series 2001 B Bonds Sinking Fund and the Series 2001 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 16. The Issuer shall not permit at any time or times any of the proceeds of the Series 2001 B Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2001 B Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 2001 B Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 17. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 30th day of July, 2001.

TOWN OF MASONTOWN

  
\_\_\_\_\_  
Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Town of Masontown on this 30th day of July, 2001.

Dated: August 22, 2001.

[SEAL]

  
\_\_\_\_\_  
Recorder

08/06/01  
561890/98001





**United States Department of Agriculture  
Rural Development  
West Virginia State Office**

April 20, 2007

Town of Masontown  
Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amount of the Prior Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture), in the original aggregate principal amount of not to exceed \$261,500 ( the "Bonds"), by the Town of Masontown (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Sewer Revenue Bond, Series 2001 A, dated August 22, 2001, issued in the original aggregate principal amount of \$850,000 (the "Prior Bonds"); and (ii) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution.

A handwritten signature in black ink, consisting of a series of loops and curves, positioned above a horizontal line.

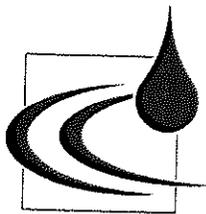
State Director

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500  
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: <http://www.rurdev.usda.gov/wv>

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Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).





WEST VIRGINIA

**Water Development Authority**

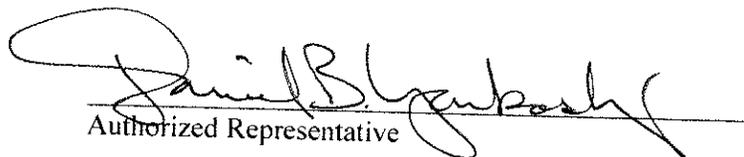
*Celebrating 32 Years of Service 1974 - 2006*

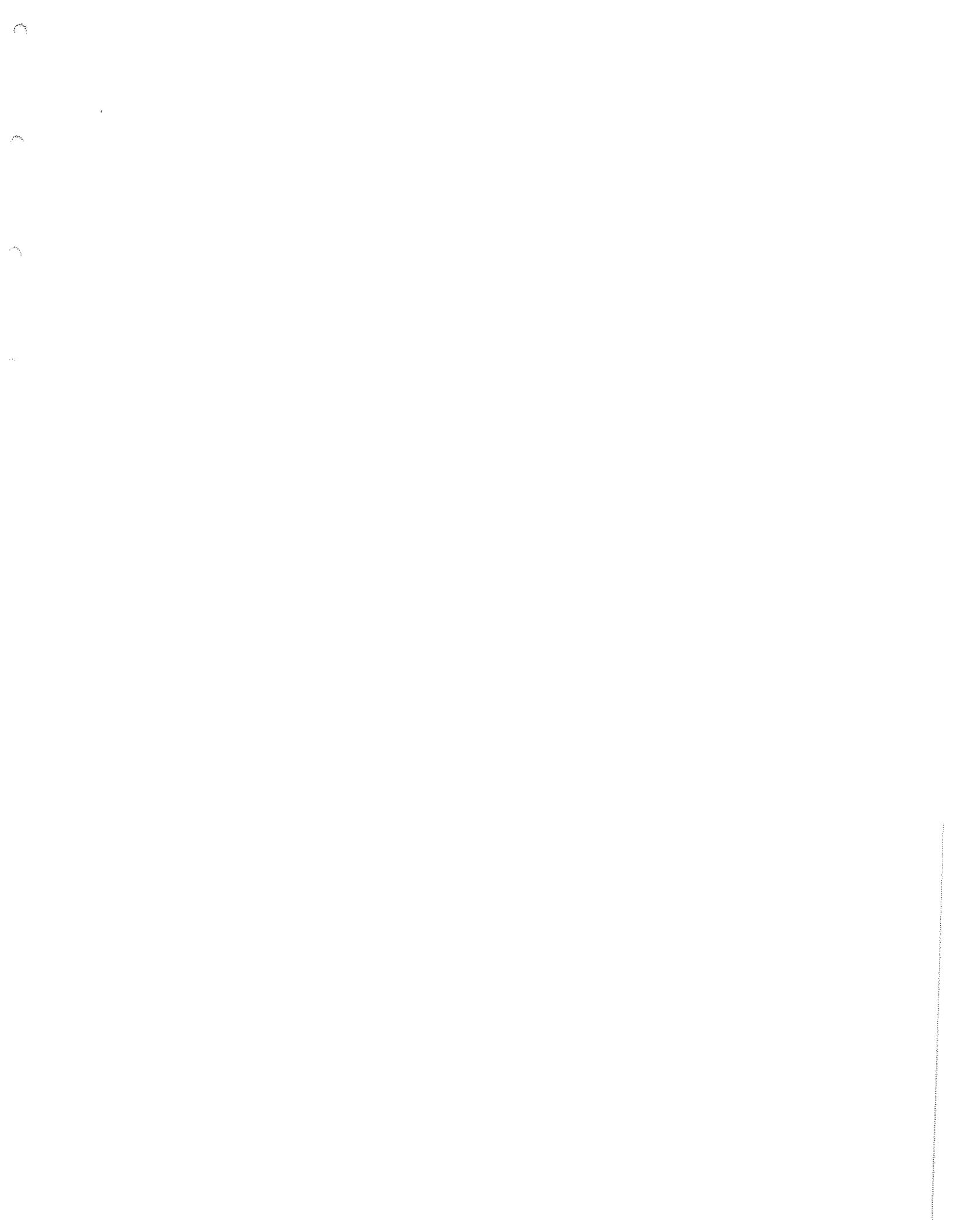
April 20, 2007

Town of Masontown  
Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Ghodes & Thomas, CPA, an independent certified public accountant, and an opinion of Steptoe & Johnson PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture), in the original aggregate principal amount of \$261,500 (the "Series 2007 A Bonds") by the Town of Masontown (the "Issuer"), under the terms of the bond ordinance authorizing the Series 2007 A Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000 (the "Prior Bonds").

  
Authorized Representative



**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 5<sup>th</sup> day of December, 2006.

CASE NO. 99-1836-S-CN (Reopened)

TOWN OF MASONTOWN and TOWN OF  
REEDSVILLE

Petition to reopen.

**COMMISSION ORDER**

By Recommended Decision issued on July 3, 2000 (Final July 23, 2000), a certificate of convenience and necessity was granted to the Town of Masontown and the Town of Reedsville to make improvements to the wastewater collection systems and to construct a wastewater treatment plant. The projects were approved contingent upon issuance of a construction permit by the West Virginia Office of Environmental Health Services. Financing for the projects was also approved. A subsequent August 15, 2001 order directed that "should the scope or financing of the project approved herein change for any reason, the Towns must obtain prior commission approval before continuing construction of the project."

On October 31, 2006, counsel for Masontown filed a petition to reopen this proceeding seeking confirmation that approval of financing is not necessary, or in the alternative, for expedited approval of financing. Masontown explained that after completion of the project, a civil action was filed involving Masontown, the project contractor and the project engineer. The action resulted in a settlement wherein Masontown agreed to pay the contractor a sum of money for payment on the project and attorney's fees. Masontown obtained a \$261,500 loan commitment from Rural Utilities Service (RUS). With the exception of approximately \$10,000, the financing is to be used to resolved the lawsuit. Masontown stated that approximately \$10,000 of the RUS loan is to be used to purchase a tanker to haul sludge.

Masontown opined that the financing does not require prior Commission approval since it is not a change in financing of the project which requires approval before construction. Masontown seeks confirmation of its position. If the Commission concludes approval is needed, Masontown seeks expedited approval of the financing. Masontown further explained that it adopted an ordinance increasing its rates and charges. The tariff



was effective July 29, 2006. According to Masontown, the rate increase anticipated the debt service on the subject RUS loan and thus, no further rate increase is needed.

On November 27, 2006, Commission Staff filed an Initial and Final Joint Staff Memorandum. Staff indicated that according to the revised project construction budget, approximately \$194,889.45 of the \$261,500 loan will be used for construction. Thus, Staff concluded that the RUS loan needs Commission approval because of the language set forth in the Recommended Decision. Staff attached a cash flow analysis indicating that rates are adequate to cover the loan payments. Therefore, Staff recommended approval of the requested financing.

### DISCUSSION

For the reasons stated by Staff, the Commission concurs that Commission approval is needed. The Commission will grant such approval of the subsequent \$261,500 RUS loan.

### FINDINGS OF FACT

1. By Recommended Decision issued on July 3, 2000 (Final July 23, 2000), a certificate of convenience and necessity was granted to Masontown and Reedsville to make improvements to the wastewater collection systems and to construct a wastewater treatment plant. Financing for the projects was also approved.

2. On October 31, 2006, Masontown filed a petition to reopen this proceeding seeking confirmation that approval of a subsequent \$261,500 RUS loan is not necessary, or in the alternative, for expedited approval of the financing.

3. A civil action was filed involving Masontown, the project contractor and the project engineer which resulted in a settlement wherein Masontown agreed to pay the contractor a sum of money for payment on the project and attorney's fees.

4. On November 27, 2006, Staff indicated that according to the revised project construction budget, approximately \$194,889.45 of the \$261,500 loan will be used for construction. Thus, Staff concluded that the RUS loan needs Commission approval.

5. Staff attached a cash flow analysis indicating that rates are adequate to cover the loan payments.

6. Staff recommended approval of the \$261,500 RUS loan.



## CONCLUSIONS OF LAW

1. For the reasons stated by Staff in the Initial and Final Joint Staff Memorandum, approval of the \$261,500 RUS loan for Masontown is needed.
2. Approval of the subsequent \$261,500 RUS loan for Masontown should be granted.

### ORDER

IT IS, THEREFORE, ORDERED that approval of the Town of Masontown's subsequent financing, consisting of a \$261,500 RUS loan, is hereby granted.

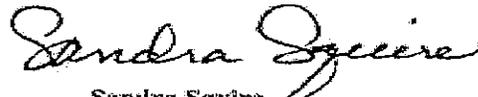
IT IS FURTHER ORDERED that the Town of Masontown shall request a reopening of this case if there is any change in the plans and/or scope of the project, or where a change in financing affects rates.

IT IS FURTHER ORDERED that if there is a change in the project cost that does not affect rates, the Town of Masontown need not petition to reopen this case for further Commission approval, except as required by *West Virginia Code* § 24-2-11. Instead, the Town of Masontown must file an affidavit from its certified public accountant verifying that rates are not affected.

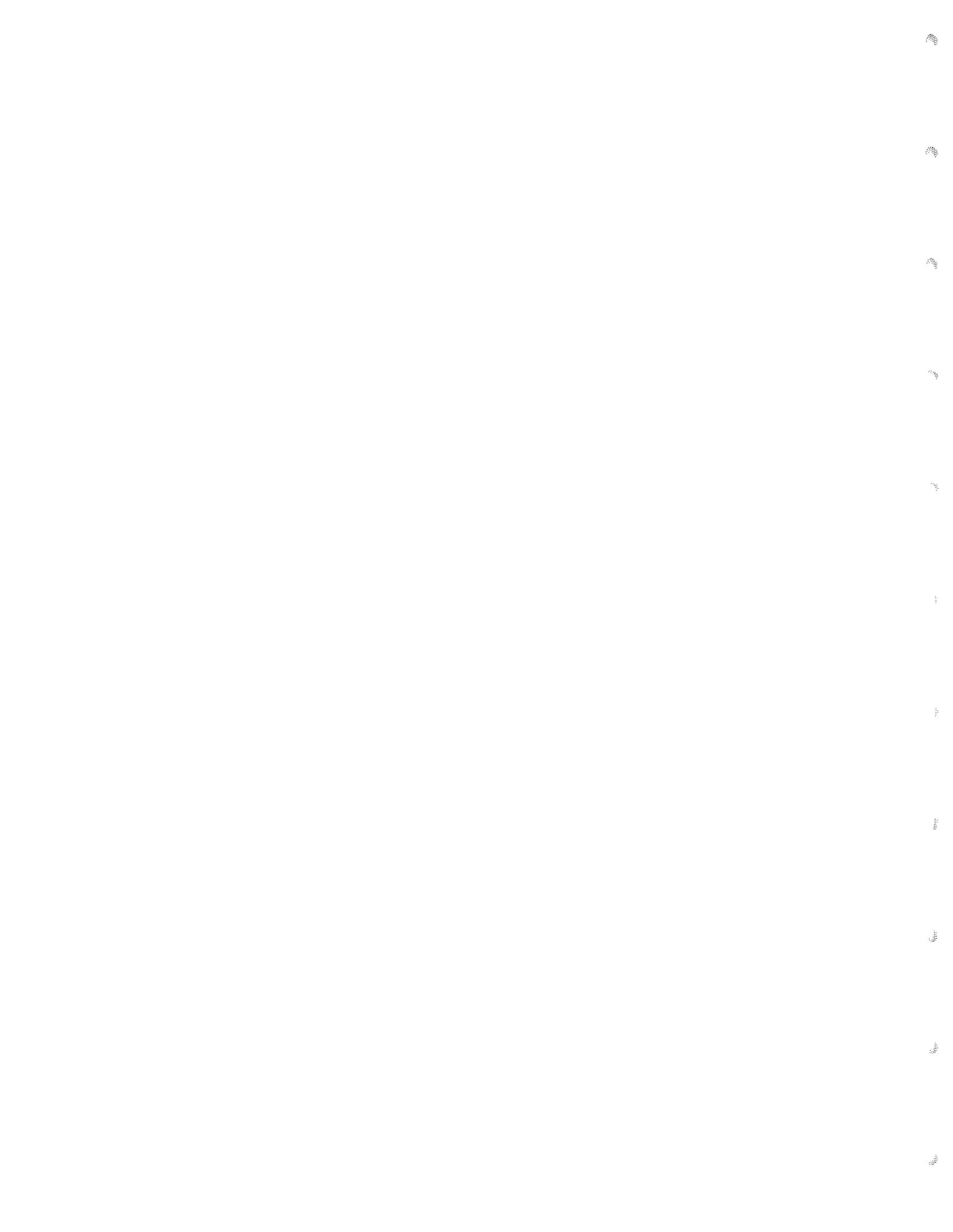
IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's active docket of cases.

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

A True Copy, Testes:

  
Sandra Squire  
Executive Secretary

TBS/ljm  
991836cc.wpd



**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 15th day of August, 2001.

CASE NO. 99-1836-S-CN

TOWN OF MASONTOWN and  
TOWN OF REEDSVILLE

Application for a certificate of convenience and necessity to make improvements to the wastewater collection systems of Masontown and Reedsville and for construction of a sewage treatment plant by Masontown, in Preston County.

**COMMISSION ORDER**

On December 21, 1999, the Town of Masontown (Masontown) and the Town of Reedsville (Reedsville) (collectively, "Towns"), by counsel Sheila Kae Williams, filed with the Public Service Commission, pursuant to W. Va. Code § 24-2-11, a joint application for a certificate of convenience and necessity to make improvements to their wastewater collection systems and for construction of a sewage treatment plant by Masontown. Masontown estimated that its project would cost \$5,600,000, to be financed by a Rural Utilities Service (RUS) loan in the amount of \$850,000; an initial RUS grant in the amount of \$1,000,000; a subsequent RUS grant in the amount of \$350,000; and other funding in the amount of \$3,400,000. The other funding was planned to be in the form of a loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) in the amount of \$1,500,000; a grant from WVIJDC in the amount of \$500,000; a HUD Small Cities Block Grant in the amount of \$1,250,000; and a tap fee from Reedsville in the amount of \$150,000. Reedsville estimated the total cost of its project at \$1,913,000, to be financed by a HUD Small Cities Block Grant in the amount of \$949,000; an RUS grant in the amount of \$514,000; and an RUS loan in the amount of \$450,000. Rule 42 exhibits were filed.

On December 21 and 22, the Commission directed the Towns to publish a Notice of Filing, which provided that, if no protest was filed within thirty days after the date of publication, the Commission might waive formal hearing and grant the application based upon its review of the evidence submitted with the application.

On January 14, 2000, the Towns, by counsel, filed a copy of an affidavit establishing that the Notice of Filing had been published on January 5, 2000, in The Preston County Journal. The original was filed on March 29, 2000.

On January 26, 2000, Staff filed an Initial Joint Staff Memorandum stating that Staff needed further information from the Towns to complete its investigation and, upon receipt thereof, would file its final recommendation.

On January 31, 2000, the Commission, by Order, referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision on or before July 18, 2000. On the same date Staff filed copies of interrogatories and data requests it was serving on the Towns.

On March 20, 2000, Staff filed a Further Joint Staff Memorandum stating that responses had not been received from the Towns and that additional specified information was needed. Staff stated it would issue a second data request and that the Towns should promptly provide the information already requested.

On March 24, 2000, the ALJ issued a Procedural Order addressing several issues including the possible need for a hearing and dates for filing various documents.

On March 29, 2000, the Towns, by counsel, filed responses to Staff's interrogatories and documents in response to Staff's requests, including letters of confirmation for all funding.

On April 21, 2000, the Towns, by counsel, filed further documents.

On May 1, 2000, Staff filed a Second Further Joint Staff Memorandum stating that some of the information needed for their review had not yet been provided. Staff recommended that, because the ALJ decision due date could not be extended, this matter should be scheduled for an immediate hearing. Again urging that the missing information be provided promptly, Staff warned that if the information was not received in time for Staff to review it prior to hearing, Staff would recommend dismissal.

On May 2, 2000, the ALJ issued a Procedural Order that included the following discussion:

Staff's efforts are appreciated. As indicated in the March 24, 2000 Procedural Order, the purpose of a hearing is to resolve conflicts, not to force submission of information. Accordingly, this matter will not be scheduled for a hearing; rather, the Towns will be ordered once again to submit any

information still needed by Staff. If the Towns fail to supply said information by May 15, 2000, these applications will be dismissed. Further, if the information is provided and Staff does not recommend approval, these applications will be dismissed. The deadline for filing of Staff's final recommendation will be extended to June 9, 2000; should Staff still lack information, the undersigned ALJ should be so advised by the same date.

The Towns were ordered to file, no later than May 15, 2000, all further information requested by Staff and Staff was ordered to file, no later than June 9, 2000, its final recommendation.

On May 4, 2000, Cerrone Associates, Inc., filed plan construction drawings for the wastewater treatment plant.

On May 22, 2000, Staff filed a Third Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, who stated that they had received all information needed to complete Staff's review.

On June 9, 2000, Staff filed a Fourth Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, stating that the West Virginia Division of Environmental Protection (DEP) had not yet approved the plans and specifications for the Towns' sewer projects and that Technical Staff, therefore, could not submit its final recommendation on this matter.

On June 23, 2000, Staff filed a Final Joint Staff Memorandum, with an attached memorandum from Ms. Buckley and Mr. Marakovits. Staff concluded that the application should be approved, upon the contingency of issuance of a construction permit by the West Virginia Office of Environmental Health Services.

On July 3, 2000, the Administrative Law Judge issued a Recommended Decision which granted the certificate contingent upon issuance of a construction permit by the West Virginia Department of Environmental Health Services. The ALJ approved funding as follows:

a Rural Utilities Service loan in the amount of \$850,000; an initial RUS grant in the amount of \$1,000,000; a subsequent RUS grant in the amount of \$350,000; a loan from the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,500,000; a grant from WVIJDC in the amount of \$500,000; a HUD Small Cities Block Grant in the amount of \$1,250,000; and a tap fee from Reedsville in the amount of \$150,000, BE APPROVED, and

that the funding for the Reedsville project, a HUD Small Cities Block Grant in the amount of \$949,000; an RUS grant in the amount of \$514,000; and an RUS loan in the amount of \$450,000, BE APPROVED.

The ALJ further directed that if there is any change in the terms, conditions, scheduling, or financing of the Masontown project or the Reedsville project, estimated at \$5,600,000 and \$1,913,000, respectfully, the towns of Masontown and Reedsville notify the Public Service Commission and file for Commission approval of any such revision.

On July 20, 2001, the Commission received a petition to reopen this proceeding by customers of the Town of Masontown who argued that the Town does not require any users on the old collecting system to pay the hookup fee. The protestants included an informational letter from the Town of Masontown dated February 9, 2001, and questioned why existing customers would not have to pay a connection fee but the new users will.

On July 23, 2001, the Commission received a letter from counsel for the Towns of Masontown and Reedsville stating there had been a revision to the budgets and the funding for the projects. The letter stated that upon receiving bids, the cost of the Masontown project increased from \$5,600,000 to \$6,226,000. The construction bids for the Reedsville project were below estimate but the Reedsville project cost remained constant due to an increase in the tap fee to be paid by Reedsville to Masontown from \$150,000 to \$380,000. The letter further stated that the remainder of the Masontown project cost increase was to be paid by a second subsequent grant from the Rural Utilities Service in the amount of \$396,000. The Towns stated that no additional debt would result due to the revised budgets and that the rates to be charged are to be the same as approved in the prior Commission order. The letter requested that the Commission issue an order no later than Wednesday, August 15, 2001.

On August 10, 2001, the Commission received an "Initial and Final Joint Staff Memorandum." Staff stated that since neither Town will incur additional debt due to the revised project budget and the rates to be charged will remain the same, Staff recommended the revised budget be approved. Staff stated the following regarding the petition for reopening:

Staff received a letter from Janice Polce signed by petitioners claiming discrimination. Masontown citizens have been sewer customers for ten (10) years, regardless if the wastewater was treated. The utility cannot charge existing customers a tap fee. The law enables the Town to force connection of all residents along the new sewer system within and outside Town limits. Those customers who were not sewer customers previously will have to pay a tap fee. Staff defers to the Legal Division any other issues related to the petition filed by Ms. M.S. Polce.

## DISCUSSION

The Commission shall herein grant the revision in budget and funding for this project because the modifications will not affect the amount of debt assumed by the municipalities and because the modifications will not impact the rates.

Regarding the protest/complaint filed July 20, 2001, by Ms Polce concerning the tap fee, the Commission shall herein direct the Executive Secretary to treat such filing as a formal complaint and assign that proceeding an appropriate case number.

The July 20, 2001, protest/complaint involves the issue of proper application of the tap fee charged new and existing customers. Removing the July 20, 2001, filing to its own proceeding will not prejudice the complainant.

## ORDER

IT IS THEREFORE ORDERED that the request to reopen this matter filed July 23, 2001, is hereby granted.

IT IS FURTHER ORDERED that the change in the project cost from \$5,600,000 to \$6,226,000 for the Masontown project is hereby approved.

IT IS FURTHER ORDERED that the change in the tap fee from \$150,000 to \$380,000 paid by Reedsville to Masontown is hereby approved.

IT IS FURTHER ORDERED that the revised funding in the form of an additional grant from the Rural Utilities Service to Masontown in the amount of \$396,000 is hereby approved.

IT IS FURTHER ORDERED that should the scope or financing of the project approved herein change for any reason, the Towns must obtain prior Commission approval before continuing construction of the project.

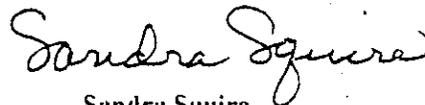
IT IS FURTHER ORDERED that the petition/complaint filed on July 20, 2001, by Ms. Polce regarding charging of tap fees shall be treated as a separate complaint. The Commission's Executive Secretary shall create a new docket number for processing this matter.

IT IS FURTHER ORDERED that upon entry of this order, this case shall be removed from the Commission's docket of open cases.

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

A True Copy, Teste:

ARC  
JJW/lfg  
991836ca.wpd



Sandra Squire  
Executive Secretary

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Issued: July 3, 2000

7-23-00

CASE NO. 99-1836-S-CN

TOWN OF MASONTOWN and TOWN OF REEDSVILLE.

Application for a certificate of convenience and necessity to make improvements to the wastewater collection systems of Masontown and Reedsville and for construction of a sewage treatment plant by Masontown, in Preston County.

RECOMMENDED DECISION

PROCEDURE

On December 21, 1999, the Town of Masontown (Masontown) and the Town of Reedsville (Reedsville), by counsel Sheila Kae Williams, filed with the Public Service Commission (Commission), pursuant to W.Va. Code § 24-2-11, a joint application for a certificate of convenience and necessity to make improvements to their wastewater collection systems and for construction of a sewage treatment plant by Masontown. Masontown estimated that its project would cost \$5,600,000, to be financed by a Rural Utilities Service (RUS) loan in the amount of \$850,000; an initial RUS grant in the amount of \$1,000,000; a subsequent RUS grant in the amount of \$350,000; and other funding in the amount of \$3,400,000. The other funding is planned to be in the form of a loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) in the amount of \$1,500,000; a grant from WVIJDC in the amount of \$500,000; a HUD Small Cities Block Grant in the amount of \$1,250,000; and a tap fee from Reedsville in the amount of \$150,000. Reedsville estimated the total cost of its project at \$1,913,000, to be financed by a HUD Small Cities Block Grant in the amount of \$949,000; an RUS grant in the amount of \$514,000; and an RUS loan in the amount of \$450,000. Rule 42 exhibits were filed. The applications were docketed as an application filed jointly by Masontown and Reedsville (Towns). Rule 42 exhibits were attached.

On December 21 and 22, the Commission directed the Towns to publish a Notice of Filing, which provided that, if no protest was filed within thirty days after the date of publication, the Commission might waive formal hearing and grant the application based upon its review of the evidence submitted with the application.

On January 14, 2000, the Towns, by counsel, filed a copy of an affidavit establishing that the Notice of Filing had been published on January 5, 2000, in The Preston County Journal. The original was filed on March 29, 2000.

On January 26, 2000, Staff Attorney James V. Kelsh filed an Initial Joint Staff Memorandum, with attached memorandum from Karen L. Buckley, Utilities Analyst, Water and Wastewater Division, and Joseph A. Marakovits, Technical Analyst III, Engineering Division, stating that Staff needed further information from the Towns to complete its investigation and, upon receipt thereof, would file its final recommendation.

On January 31, 2000, the Commission, by Order, referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision on or before July 18, 2000. On the same date Staff filed copies of interrogatories and data requests it was serving on the Towns.

On March 20, 2000, Mr. Kelsh filed a Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, who stated that responses had not been received from the Towns and that additional information was also needed, which was specified. Mr. Kelsh stated that Staff would issue a second data request and that the Towns should promptly provide the information already requested.

On March 24, 2000, the undersigned ALJ issued a Procedural Order that, noting that no protest had been filed to the application, stated that, if Staff recommended approval of the Towns' projects and funding therefor, they might be approved without hearing and that, if conflict arose between the Towns and Staff, this matter would be scheduled for an immediate formal hearing. The Towns were required to file responses to Staff's interrogatories and data requests no later than April 14, 2000; Staff was required to file its final recommendations no later than May 1, 2000; and the Towns were required to file any response to Staff's final recommendations no later than May 8, 2000.

On March 29, 2000, the Towns, by counsel, filed responses to Staff's interrogatories and documents in response to Staff's requests, including letters of confirmation for all funding.

On April 21, 2000, the Towns, by counsel, filed further documents.

On May 1, 2000, Mr. Kelsh filed a Second Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, stating that some of the information needed for their review had not yet been provided; the lacking information was specified. Mr. Kelsh

recommended that, because the ALJ decision due date could not be extended, this matter be scheduled for an immediate hearing. Again urging that the missing information be provided promptly, he warned that, if the information was not received in time for Staff to review it prior to hearing, Staff would recommend dismissal.

On May 2, 2000, the undersigned ALJ issued a Procedural Order that included the following discussion:

Staff's efforts are appreciated. As indicated in the March 24, 2000 Procedural Order, the purpose of a hearing is to resolve conflicts, not to force submission of information. Accordingly, this matter will not be scheduled for a hearing; rather, the Towns will be ordered once again to submit any information still needed by Staff. **If the Towns fail to supply said information by May 15, 2000, these applications will be dismissed. Further, if the information is provided and Staff does not recommend approval, these applications will be dismissed.** The deadline for filing of Staff's final recommendation will be extended to June 9, 2000; should Staff still lack information, the undersigned ALJ should be so advised by the same date.

The Towns were ordered to file, no later than May 15, 2000, all further information requested by Staff and Staff was ordered to file, no later than June 9, 2000, its final recommendation.

On May 4, 2000, Cerrone Associates, Inc., filed plan construction drawings for the wastewater treatment plant.

On May 22, 2000, Mr. Kelsh filed a Third Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, who stated that they had received all information needed to complete Staff's review.

On June 9, 2000, Mr. Kelsh filed a Fourth Further Joint Staff Memorandum, with attached memorandum from Ms. Buckley and Mr. Marakovits, providing the information that the West Virginia Division of Environmental Protection (DEP) had not yet approved the plans and specifications for the Towns' sewer projects and that Technical Staff, therefore, could not submit its final recommendation on this matter.

On June 23, 2000, Mr. Kelsh filed a Final Joint Staff Memorandum, with an attached memorandum from Ms. Buckley and Mr. Marakovits. Staff concluded that the application should be approved, upon the contingency of issuance of a construction permit by the West Virginia Office of Environmental Health Services.

## DISCUSSION

Findings and views of Commission Staff stated in the Final Joint Staff Memorandum will be provided in the following section. The applications for a certificate of convenience and necessity will be granted, upon the contingency Staff recommends.

## FINDINGS OF FACT

1. On December 21, 1999, the Town of Masontown and the Town of Reedsville filed with the Public Service Commission a joint application for a certificate of convenience and necessity to make improvements to their wastewater collection systems and for construction of a sewage treatment plant by Masontown. (See application).

2. The Notice of Filing was published on January 5, 2000, in The Preston County Journal, and no protest was filed. (See January 14 and March 29, 2000 filings; case file generally).

3. The Masontown project will serve approximately 547 customers and the Reedsville project will serve approximately 208 customers. Residences and businesses presently dump waste directly into receiving streams; are served by septic tanks, most of which are old and dilapidated with inadequate leach fields; or are served by centralized collection systems that were installed in the 1930s and are in very poor condition. The projects would allow both Towns to achieve compliance with the mandates of the Federal Clear Water Act and State regulations. Staff opined that the need for the projects has been adequately documented. (See Final Joint Staff Memorandum).

4. The estimated total cost for the Masontown project is \$5,600,000, with a total construction cost, including contingencies, of \$4,710,000. The estimated total cost for the Reedsville project is \$1,913,000, with a total construction cost of \$1,362,000, including contingencies. Neither project has been bid. (See application; Final Joint Staff Memorandum).

5. The cost for the Masontown project calculates to \$10,238 per customer and the cost for the Reedsville project calculates to \$9,197 per customer. Staff opined that those costs per customer are somewhat high but still within the range of reasonableness. (See Final Joint Staff Memorandum).

6. The operation and maintenance expenses for the Town of Masontown are estimated at \$111,000 annually, and the operation and maintenance expenses for the Town of Reedsville are estimated at \$39,000. Staff found the operation and maintenance expenses to be reasonable. (See Final Joint Staff Memorandum).

7. The Masontown project will be financed by a Rural Utilities Service loan in the amount of \$850,000, payable over forty years, with payments for the first twenty-four months of interest

only; an initial RUS grant in the amount of \$1,000,000; a subsequent RUS grant in the amount of \$350,000; a loan from the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,500,000 at 0% interest; a grant from WVIJDC in the amount of \$500,000; a HUD Small Cities Block Grant in the amount of \$1,250,000; and a tap fee from Reedsville in the amount of \$150,000. The Reedsville project will be financed by a HUD Small Cities Block Grant in the amount of \$949,000; an RUS grant in the amount of \$514,000; and an RUS loan in the amount of \$450,000, payable over forty years, with payments for the first twenty-four months of interest only. (See application; March 29, 2000 filing; Final Joint Staff Memorandum).

8. Reedsville passed an ordinance raising its sewer rates and charges, effective on February 25, 2000. Masontown also passed such an ordinance, effective on February 27, 2000. Masontown has not filed with the Commission a copy of its tariff. (See Final Joint Staff Memorandum).

9. Staff found the plans and specifications did not reveal any conflicts with the Commission's Rules and Regulations for the Government of Sewer Utilities. The planned Biolac-type treatment plant was the most cost effective choice and will allow for future expansion. The planned collection system is a gravity system. (See Final Joint Staff Memorandum).

10. The West Virginia Division of Environmental Protection found the plans and specifications of the projects to be acceptable. The West Virginia Office of Environmental Health Services has not issued a construction permit. (See Final Joint Staff Memorandum).

11. Commission Staff recommended that the application be granted and the projects be approved, contingent upon issuance of a construction permit by the West Virginia Office of Environmental Health Service; and that the funding be approved. (See Final Joint Staff Memorandum).

#### CONCLUSION OF LAW

Because the projects are needed; no protest to the application has been filed; and Commission Staff recommended that the application be granted, contingent upon granting of a construction permit by the West Virginia Office of Environmental Health Service, and that the funding be approved, it is appropriate to grant the application and to approve the projects, pursuant to W.Va. Code §24-2-11, upon the stated contingency, and their funding.

## ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed on December 21, 1999, by the Town of Masontown and the Town of Reedsville to make improvements to the wastewater collection systems of the Town of Masontown and the Town of Reedsville, and to construct a wastewater treatment plant BE GRANTED and the projects BE APPROVED, CONTINGENT upon issuance of a construction permit by the West Virginia Office of Environmental Health Services.

IT IS FURTHER ORDERED that, immediately upon receipt of said permit, the Towns of Masontown and Reedsville file a copy of said permit with the Commission.

IT IS FURTHER ORDERED that the funding for the Masontown project, a Rural Utilities Service loan in the amount of \$850,000; an initial RUS grant in the amount of \$1,000,000; a subsequent RUS grant in the amount of \$350,000; a loan from the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,500,000; a grant from WVJDC in the amount of \$500,000; a HUD Small Cities Block Grant in the amount of \$1,250,000; and a tap fee from Reedsville in the amount of \$150,000, BE APPROVED, and that the funding for the Reedsville project, a HUD Small Cities Block Grant in the amount of \$949,000; an RUS grant in the amount of \$514,000; and an RUS loan in the amount of \$450,000, BE APPROVED.

IT IS FURTHER ORDERED that, if there is any change in any of the terms, conditions, scheduling, or financing of the Masontown project or the Reedsville project, estimated at \$5,600,000 and \$1,913,000, respectively, the Towns of Masontown and Reedsville notify the Public Service Commission and file for Commission approval of any such revision.

IT IS FURTHER ORDERED that the Town of Masontown file with the Commission a copy of its sewer tariff.

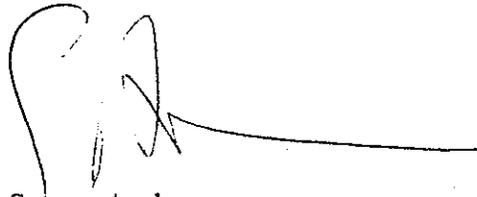
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon Commission Staff by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed, this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

A handwritten signature in black ink, appearing to read 'Sunya Anderson', with a long horizontal line extending to the right.

Sunya Anderson  
Administrative Law Judge

SA:s  
991836ab.wpd





**LOAN RESOLUTION**  
(Public Bodies)

A RESOLUTION OF THE Town Council

OF THE Masontown, Town of

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Project 01 - Sewer

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the Masontown, Town of  
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

**TWO HUNDRED SIXTY-ONE THOUSAND FIVE HUNDRED AND XX / 100 DOLLARS (\$261,500.00)**

pursuant to the provisions of \_\_\_\_\_ ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

*Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.*



**CERTIFICATION TO BE EXECUTED AT LOAN CLOSING**

I, the undersigned, as Mayor of the Masontown, Town of

hereby certify that the Town Council of such Association is composed of

7 members, of whom 4 constituting a quorum, were present at a meeting thereof duly called and

held on the 26th day of July, 2006; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of April 20, 2007, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this 20th day of April, 2007

Lydia Main  
Title Mayor



TOWN OF MASONTOWN

Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

RECEIPT FOR BONDS

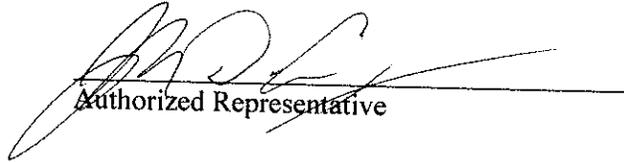
The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

1. On the 20th day of April, 2007, at Masontown, West Virginia, the undersigned received for the Purchaser the single, fully registered Town of Masontown Sewer Revenue Bonds, Series 2007 A (United States Department Agriculture), No. AR-1 (the "Series 2007 A Bonds"), in the principal amount of \$261,500, dated as of the date hereof, bearing interest at the rate of 4.125 % per annum, and payable in monthly installments as stated in the Bond.

2. At the time of such receipt, the Series 2007 A Bonds had been executed and sealed by the designated officials of the Town of Masontown (the "Issuer").

4. At the time of such receipt, there was paid to the Issuer the sum of \$219,500, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 20th day of April, 2007.

  
Authorized Representative

561890.00003



UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
TOWN OF MASONTOWN  
SEWER REVENUE BONDS, SERIES 2007 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

SPECIMEN

\$261,500

No. AR-1

Date: April 20, 2007

FOR VALUE RECEIVED, on this the 20th day of April, 2007, the TOWN OF MASONTOWN (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of TWO HUNDRED SIXTY-ONE THOUSAND FIVE HUNDRED DOLLARS (\$261,500), plus interest on the unpaid principal balance at the rate of 4.125 % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,138.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of additions, betterments and improvements to the sewerage system (the "System") of Borrower, is payable solely from and secured by the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of

the West Virginia Code of 1931, as amended (herein called the "Act"), and an Ordinance of Borrower duly enacted on January 24, 2007, authorizing issuance of this Bond (the "Ordinance").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE BORROWER:

(i) SEWER REVENUE BONDS, SERIES 2001 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED AUGUST 22, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$850,000; AND

(ii) SEWER REVENUE BONDS, SERIES 2001 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED AUGUST 22, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, THE TOWN OF MASON TOWN has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

[CORPORATE SEAL]

TOWN OF MASON TOWN

*Lydia Mann*  
(Signature of Executive Official)

Mayor  
(Title of Executive Official)

P.O. Box 340  
(P.O. Box No. or Street Address)

Masontown, West Virginia 26542  
(Town, State and Zip Code)

ATTEST:

*Sandy Jones*  
(Signature of Attesting Official)

Recorder  
(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$219,500	April 20, 2007	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ \_\_\_\_\_

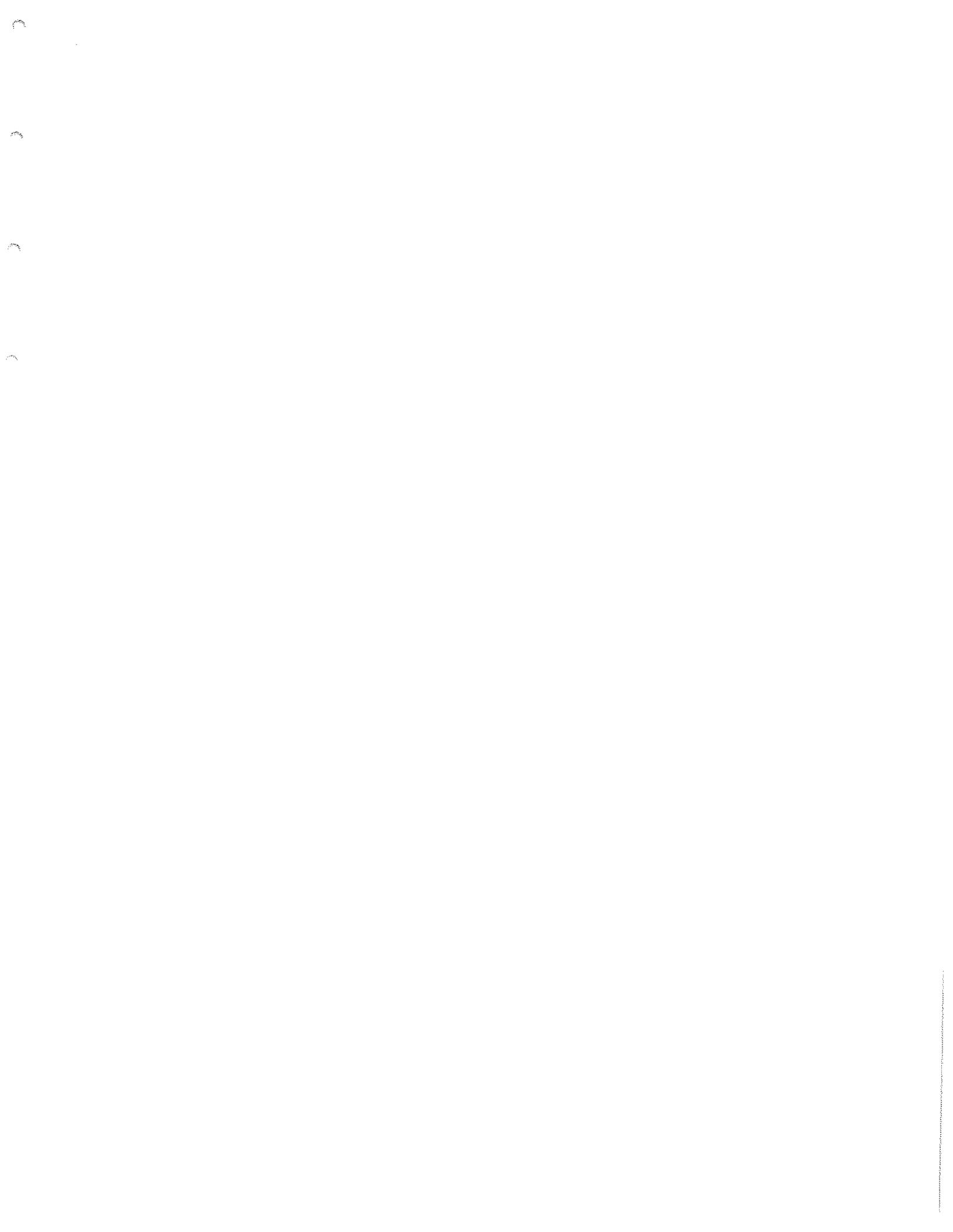
(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to  
\_\_\_\_\_  
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 Borrower with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

In presence of:  
  
\_\_\_\_\_





0  
0  
0  
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0  
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April 20, 2007

Town of Masontown  
Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

Town of Masontown  
Masontown, West Virginia

United States Department of Agriculture  
Elkins, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of Masontown, in Preston County, West Virginia (the "Issuer"), of its \$261,500 Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture), dated the date hereof (the "Series 2007 A Bonds"), pursuant to Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and a bond ordinance of the Issuer duly enacted on January 24, 2007 (the "Bond Legislation"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Legislation and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a municipal corporation and political subdivision of the State of West Virginia with full power and authority to adopt and enact the Bond Legislation, perform the agreements on its part contained therein and issue and sell the Series 2007 A Bonds, pursuant to the provisions of the Act and other applicable provisions of law.
2. The Bond Legislation has been duly adopted and enacted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Bond Legislation creates a valid lien on the funds pledged by the Legislation for the security of the Series 2007 A Bonds on a parity with the Issuer's Sewer Revenue Bond, Series 2001 A (United States Department of Agriculture), dated August 22, 2001, issued in the original aggregate principal amount of \$850,000, and Sewer Revenue Bonds, Series 2001 B (West Virginia

Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000 (collectively, the "Prior Bonds"). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2007 A Bonds as to liens, pledge and/or source of and security for payment.

4. The Series 2007 A Bonds have been duly authorized, executed and delivered by the Issuer and is a valid and binding special obligation of the Issuer, payable solely from the sources provided therefor in the Bond Legislation.

5. The Series 2007 A Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes; therefore, the interest on the Series 2007 A Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2007 A Bonds.

6. The Series 2007 A Bonds are, under the Act, exempt from all taxation by the State of West Virginia, and the other taxing bodies of said State, and interest on the Series 2007 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the holder of the Series 2007 A Bonds and the enforceability of the Series 2007 A Bonds, the Bond Legislation and the liens and pledges set forth therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

  
STEPTOE & JOHNSON PLLC

561890.00003





**Smith, McMunn & Glover, PLLC**  
Attorneys at Law

G. Thomas Smith  
D. Andrew McMunn  
David C. Glover

516 West Main Street  
Clarksburg, WV 26301

Telephone: (304) 326-6000  
Facsimile: (304) 326-4000  
Writer's Email: [davidcglover@aol.com](mailto:davidcglover@aol.com)

April 20, 2007

Town of Masontown  
Water Revenue Bonds, Series 2006 A  
(United States Department of Agriculture)

Town of Masontown  
Masontown, West Virginia

United States Department of Agriculture  
Elkins, West Virginia

Step toe & Johnson PLLC  
Clarksburg, West Virginia

Ladies and Gentlemen:

We are counsel to the Town of Masontown, a municipal corporation and political subdivision of the State of West Virginia in Preston County of said State (the "issuer"). As such counsel, we have examined a copy of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a bond ordinance of the Issuer duly enacted on January 24, 2007 (the "Bond Legislation"), and other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds"). Terms used in the Bond Legislation and not otherwise defined herein shall have the same meanings as in the Bond Legislation when used herein.

We are of the opinion that:

1. The Issuer is duly created and validly existing as a municipal corporation and a political subdivision of the State of West Virginia.
2. The Mayor, Recorder and members of the Council of the Issuer have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to as in their respective capacities on behalf of the Issuer.

3. The Bond Legislation has been duly adopted and enacted by the Issuer and is in full force and effect.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

5. We are of the opinion that the Issuer has received all orders and approvals from the Public Service Commission of West Virginia ("PSC"), including the Commission Order dated December 5, 2006 (which became a Final Order on said date), in Case No. 99-1836-S-CN (Reopened), approving the additional financing for the Project. The time for reconsideration, reopening or appeal of the Final Order dated December 5, 2006, has expired prior to the date hereof without any appeal having been filed. All Orders remain in full force and effect.

6. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bond, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from the Public Service Commission of West Virginia, and the Issuer has duly taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance prescribing such rates and charges, the time for appeal of which has expired prior to the date hereof without successful appeal.

7. To the best of our 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 Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Town of Masontown, et al.  
Page 3

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

Very truly yours,

A handwritten signature in cursive script that reads "David C. Glover". The signature is written in black ink and is positioned above the printed name.

David C. Glover



TOWN OF MASONTOWN

Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLICATION AND NO PROTEST
5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
6. SIGNATURES, ETC.
7. CERTIFICATION OF COPIES OF DOCUMENTS
8. INCUMBENCY AND OFFICIAL NAME, ETC.
9. DELIVERY AND PAYMENT AND USE OF PROCEEDS
10. LAND AND RIGHTS OF WAY
11. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
12. CONTRACTORS' INSURANCE, ETC.
13. CONNECTIONS, ETC.
14. MANAGEMENT
15. CONFLICT OF INTEREST
16. PROCUREMENT OF ENGINEERING SERVICES
17. EXECUTION OF COUNTERPARTS

We, the undersigned MAYOR and RECORDER of the Town of Masontown, in Preston County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, acting for the Issuer and in its name, hereby state and certify on this 20<sup>th</sup> day of April, 2007, in connection with the Town of Masontown Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture), No. AR-1, fully registered, dated the date hereof, in the principal amount of \$261,500, and bearing interest at the rate of 4.125 % per annum (the "Series 2007 A Bonds") as follows:

1. AUTHORIZATION AND AWARD OF BOND: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2007 A Bonds have been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to the Letter of Conditions from the Purchaser, as amended, and as appears in Section 7.03 of the Bond Ordinance duly enacted on January 24, 2007, as supplemented, authorizing issuance of the Bond (the "Ordinance" or "Bond Ordinance"). Terms used herein and not otherwise defined herein shall have the same meaning as defined in the Bond Ordinance when used herein. The Series 2007 A Bonds are being issued on this date to permanently finance a portion of the cost of

acquisition and construction of the Project located within the boundaries of the Issuer and to pay costs of issuance thereof.

2. NO LITIGATION: Upon Closing and settling Ferri Construction outstanding issue, no other controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting the issuance and delivery of the Series 2007 A Bonds or receipt of any grant moneys committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2007 A Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Series 2007 A Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any moneys or security therefor; nor questioning the existence, powers or proceedings of the Issuer or the Council of the Issuer (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the sewerage system of the Issuer (the sewerage system, as improved and expanded by the Project, as defined in the Ordinance, is herein called the "System") or the acquisition and construction of the Project being financed in part out of the proceeds of sale of the Series 2007 A Bonds; nor questioning the rates and charges provided for services of the System.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 A Bonds have been duly and timely obtained and remain in full force and effect, the time for appeal of which or rehearing having expired. Competitive bids for the acquisition and 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, which bids remain in full force and effect.

The Issuer has received the Commission Orders of the Public Service Commission of West Virginia entered on August 15, 2001, and December 5, 2006, in Case No. 99-1836-S-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, and approving the financing for the Project. The time for appeal of the Commission Orders have expired prior to the date hereof. Such Orders remain in full force and effect.

The Issuer enacted sewer rates and charges for the System on June 14, 2006, which rates went into effect on July 29, 2006. The time for appeal of such rates has expired prior to the date hereof without any timely appeals having been filed.

4. PUBLICATION AND NO PROTEST: Notice of public hearing upon the Bond Ordinance finally adopted and enacted January 24, 2007, as supplemented, was duly published as required by law.

There was not any protest to the passage of the Bond Ordinance, oral or written, and the Bond Ordinance became fully effective following the public hearing thereon and remains in full force and effect.

5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the (i) Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), dated August 22, 2001, issued in the original aggregate principal amount of \$850,000 (the "Series 2001 A Bonds"); and (ii) Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000 (the "Series 2001 B Bonds"). The Series 2001 A Bonds and the Series 2001 B Bonds are hereinafter collectively referred to as the Prior Bonds. Other than the Prior Bonds, and the Series 2007 A Bonds, there are no other bonds or obligations of the Issuer outstanding which are secured by or payable from any revenues and/or assets of the System.

The Issuer is not in default under the terms of the Prior Bonds, the ordinance and resolution authorizing the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

6. SIGNATURES, ETC.: The undersigned Mayor and Recorder did, for the Issuer on the date hereof, officially execute and seal the Series 2007 A Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected or appointed (as applicable), qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2007 A Bonds for the Issuer.

7. 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 repealed, rescinded, amended, supplemented or changed in any way unless modification appears from later documents also listed below.

Bond Ordinance

Supplemental Resolution

Series 2001 A and Series 2001 B Bond Ordinance

Consent of West Virginia Water Development Authority to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

Specimen Series 2007 A Bond

Town Charter

Oaths of Office of Officers and Council Members

Resolution on Open Governmental Proceedings

Sewer Rate Ordinance

Affidavit of Publication on Rate Ordinance

Minutes on Adoption and Enactment of Rate Ordinance

Petition of Sanitary Board

Affidavit of Publication on Bond Ordinance

Minutes on Adoption and Enactment of Bond Ordinance

United States Department of Agriculture Letter of Conditions and Closing Instructions

Receipt of Depository Bank

8. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is the "Town of Masontown." The Issuer is a municipal corporation in Preston County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its council, consisting of a Mayor, a Recorder and 5 councilmembers, all duly elected or appointed, as applicable, qualified and acting, and 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>
Lydia Main	- Mayor	June 1, 2005	July 1, 2007
Sandy Ennis	- Recorder	June 1, 2005	July 1, 2007
Wade Loudermilk	- Councilmember	June 1, 2005	July 1, 2007
Roxie Turner	- Councilmember	June 1, 2005	July 1, 2007
Whillis McGinnis	- Councilmember	June 1, 2005	July 1, 2007
Marvin Stuck	- Councilmember	June 1, 2005	July 1, 2007
Mick Thrasher	- Councilmember	June 1, 2005	July 1, 2007

The duly elected or appointed officers of the Sanitary Board for 2007 are as follows:

<u>Name</u>	<u>Term of Office</u>
Lydia Main	June 1, 2005 - July 1, 2007
Preston Street	July 1, 2006 - June 30, 2009
Conrad Pride	July 1, 2005 - June 30, 2008

The duly appointed and acting Counsel to the Issuer is David Glover, Esquire, in Clarksburg, West Virginia.

9. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2007 A Bonds were delivered to the Purchaser at Masontown, West Virginia, by the undersigned Mayor for the purposes herein set forth, and at the time of such delivery, the Series 2007 A Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Ordinance.

At the time of delivery of the Series 2007 A Bonds, the amount of \$219,500 was received by the undersigned Mayor, being a portion of the principal amount of the Series 2007 A , the balance to be paid as acquisition and construction of the Project progresses.

The Series 2007 A Bond is dated the date hereof and interest on advances thereon at the rate of 4.125 % per annum is payable from the date of each respective advance.

The Series 2007 A Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

10. LAND AND RIGHTS OF WAY: All land in fee simple and all rights of way and easements necessary for the acquisition and construction of the Project, the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer 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, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2007 A Bonds.

11. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the acquisition, construction, operation and financing of the Project and the System were authorized, enacted or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Charter of the Issuer and any Rules of Procedure of the Governing Body and all applicable statutes, including particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed (as

applicable), qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be published and/or posted were so published and/or posted.

12. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser, as amended, and the Bond Ordinance.

13. CONNECTIONS, ETC.: The Issuer will serve at least 546 bona fide full time users of the System, upon completion of the Project, in full compliance with the requirements of the Purchaser.

14. MANAGEMENT: The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by the Purchaser.

15. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bond, the Bond Ordinance and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Ordinance. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

17. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainnder of Page Intentionally Blank]

WITNESS our signatures and the official corporate seal of the TOWN OF MASONTOWN on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

*Sydney Mann*

Mayor

*Gandy Cross*

Recorder

*David C. Allen*

Counsel to Issuer

01.24.07  
561890.00003



TOWN OF MASONTOWN

Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Manning Frymier, Registered Professional Engineer, West Virginia License No. 8497, of Cerrone Associates, Inc., Wheeling, West Virginia, hereby certify that my firm was the engineer for the acquisition and construction of improvements and extensions to the existing sewerage system (the "Project") of the Town of Masontown (the "Issuer"), constructed in Preston County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned revenue bonds of the Issuer.

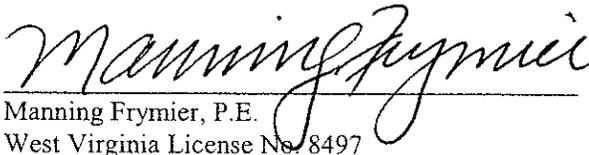
I further certify that the Project has, to the best of my knowledge, been constructed in accordance with plans and specifications prepared by my firm.

I further certify to the best of my knowledge, that the Project is adequate for the purposes for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained.

WITNESS my signature on this 20th day of April, 2007.

(SEAL)

CERRONE ASSOCIATES, INC.

  
Manning Frymier, P.E.  
West Virginia License No. 8497

561890.00003



ROTH & WHITE, A.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
202 Tunnelton Street  
Kingwood, WV 26537  
(304) 329-1020

April 20, 2007

Town of Masontown  
Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

West Virginia Water Development  
Authority  
Charleston, West Virginia

Town of Masontown  
Masontown, West Virginia

United States Department of Agriculture  
Elkins, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the sewer rate ordinance enacted by the Town of Masontown (the "Issuer") on June 14, 2006, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture) and the Issuer's outstanding (i) Sewer Revenue Bonds, Series 2001 A (United States Department of Agriculture), dated August 22, 2001, issued in the original aggregate principal amount of \$850,000; and (ii) Sewer Revenue Bonds, Series 2001 B (West Virginia Infrastructure Fund), dated August 22, 2001, issued in the original aggregate principal amount of \$1,500,000 (the "Prior Bonds").

It is further my opinion that the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2007 Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2007 Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Series 2007 Bonds and the Prior Bonds currently outstanding.

Very truly yours,

  
Nancy E. Roth, CPA



INCORPORATION OF TOWN OF MASONTOWN.  
+++++

STATE OF WEST VIRGINIA,

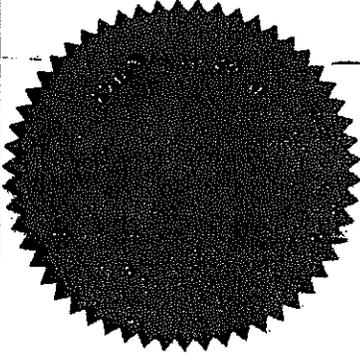
At a Circuit Court held in and for the County of Preston  
at the Court House thereof on the 26th day of May, 1905.

A certificate under oath of E. M. Hartley, A. G. Menear, and  
M. D. Cyphert, was this day filed, showing that a majority of all  
the qualified voters residing in the following boundary, to wit:  
BEGINNING, at a stone at the south east corner of J. E. Hart-  
ley's wagon shed, thence S.  $17\frac{1}{2}^{\circ}$  E. 96.4 poles to a stone in E.  
E. Cobun's field, thence S.  $72\frac{1}{2}^{\circ}$  W. 75.9 poles to the south east  
corner to Cemetery, thence with a line of same N.  $79^{\circ}$  W. 24.5  
poles to south west corner of said cemetery, thence  $13^{\circ}$  W. 74.4  
poles to a stone in a line of F. M and M. H. Taylor's, thence  
with said Taylor and the line of the new addition to Masontown,  
N.  $60^{\circ} 55'$  W. 108.3 poles to a stone pile, thence with three  
other lines of said addition N.  $34\frac{3}{4}^{\circ}$  W. 51.5 poles to a stake,  
N.  $21\frac{3}{4}^{\circ}$  E. 37.7 poles to a fallen white oak, N.  $85\frac{1}{2}^{\circ}$  E. 46.6  
poles to a fallen white oak, thence leaving said addition N.  $7^{\circ}$   
E. 68 poles to a stone and maple pointers on the west side of  
the County road leading from the Ices Ferry and Tunnelton Pike,  
near Sanford Scott to the depot, thence N.  $24^{\circ}$  W. 35.4 poles to a  
fallen white oak, corner to the "Fall's Tract", S. R. Martin and  
others, thence with part of a line of said Martin N.  $73^{\circ}$  E.  
202 poles to a post, corner to S.R. Martin and Sanford Scott,  
thence S.  $39^{\circ} 41'$  E. 120.8 poles to the beginning, containing  
one hundred and seventy four and ninety two one hundredth acres,  
(174.92) and lying in the District of Valley, County of Preston and  
and State of West Virginia, having been given in due form of law  
in favor of the incorporation of the "Town of Masontown" in the  
county of Preston bounded as herein set forth.

And it appearing to the satisfaction of the Court, that all

INCORPORATION OF TOWN OF MASONTOWN

the provisions of Chapter forty seven of the Code of West Virginia have been complied with by the applicants for said corporation, the said town is duly authorized within the corporate limits aforesaid to exercise all the corporate powers conferred by the said chapter from and after the date of this certificate.



Given under my hand and the seal of said Circuit Court, this seventh day of June nineteen hundred and five and in the forty-second year of the State.

*John W. Watson* Clerk.

State of West Virginia, County of Preston, to wit:

On the 11th day of July 1905, the foregoing Certificate of Incorporation of the Town of Masontown, was produced to me in my office, and therein admitted to record.

Teste.

*Geo. S. Hall*  
Clerk.

*Filed: 07/11/05*

*Book # 2*

*Page # 49*

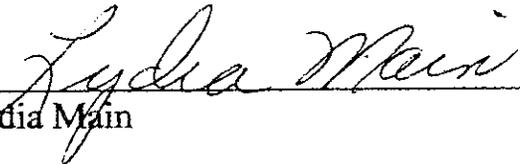


**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

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**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN--TO WIT**

I **LYDIA MAIN** DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF MAYOR IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

  
\_\_\_\_\_  
Lydia Main

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 29 DAY OF June, 2005.

  
\_\_\_\_\_  
Sandra Ennis, Recorder

**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

---

**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN—TO WIT**

I SANDRA ENNIS DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF RECORDER IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.



Sandra Ennis

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 29 DAY OF June, 2005.



Lydia Main, Mayor

**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

---

**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN--TO WIT**

I WADE LOWDERMILK DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF COUNCILMAN IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

Wade B Lowdermilk

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 28 DAY OF June, 2005.

Jylla Mann Meyer

**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

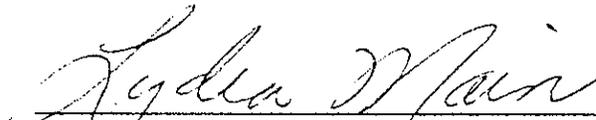
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**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN--TO WIT**

I ROXIE TURNER DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF COUNCILMAN IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

  
\_\_\_\_\_  
Roxie Turner

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 28 DAY OF June, 2005.

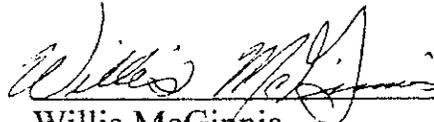
  
\_\_\_\_\_  
Lydia Main, Mayor

**TOWN OF MASONTOWN  
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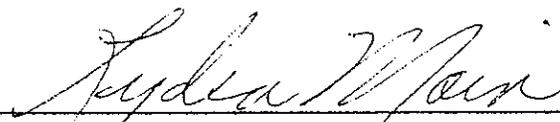
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**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN—TO WIT**

I WILLIS MCGINNIS DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF COUNCILMAN IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

  
\_\_\_\_\_  
Willis McGinnis

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 29 DAY OF June, 2005.

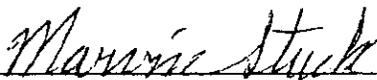
  
\_\_\_\_\_  
Lydia Main, Mayor

**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

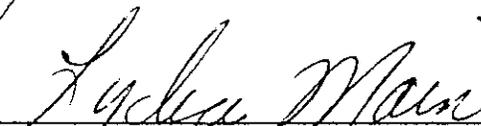
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**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN—TO WIT**

I MARVIN STUCK DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF COUNCILMAN IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

  
\_\_\_\_\_  
Marvin Stuck

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 24 DAY OF June, 2005.

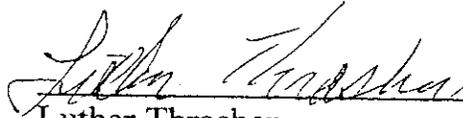
  
\_\_\_\_\_  
Lydia Main, Mayor

**TOWN OF MASONTOWN  
PO BOX 340  
MASONTOWN, WV 26542  
304-864-5555**

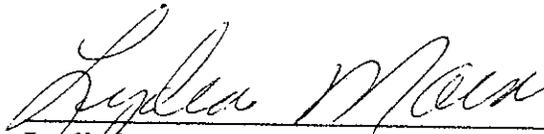
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**STATE OF WEST VIRGINIA  
COUNTY OF PRESTON  
TOWN OF MASONTOWN—TO WIT**

I LUTHER THRASHER DO SOLEMNLY SWEAR THAT I WILL SUPPORT THE CONSTITUTION OF THE UNITED STATES, THE CONSTITUTION OF THE STATE OF WEST VIRGINIA, AND THAT I WILL FAITHFULLY DISCHARGE THE DUTIES OF THE OFFICE OF COUNCILMAN IN THE TOWN OF MASONTOWN, TO WHICH I HAVE BEEN DULY ELECTED, TO THE BEST OF MY ABILITY, SO HELP ME GOD.

  
Luther Thrasher

SUBSCRIBED AND SWORN TO BEFORE ME, THE UNDERSIGNED,  
THIS 28 DAY OF June, 2005.

  
Lydia Main, Mayor



## REGULAR MEETING MAY 10, 2001

The Town Council of Masontown met in regular session at the Town Hall at 6:00 p.m. The meeting was called to order by the Mayor, Joe Blaney Jr..

Members present were: Marvin Stuck, Conrad Pride, Nancy Cipolloni-Ervin, and Wade Lowdermilk, Dan Luzier & Perry Mathew.

The minutes were read by the Recorder, Dan Luzier. They were approved as read.

### OLD BUSINESS:

Marvin Stuck made a motion to accept the one bid that the Town received on the Police Cruiser. Conrad Pride seconded. Motion carried.

The list of names for condemnation for rights-of-ways were discussed and gone over so they can be sent to Sheila Williams, Attorney.

The police radio has already been set on the right frequency there were no changes needed.

Phil Turner stated that the swing set in the park should be done by next Tuesday or Wednesday. Nancy Cipolloni-Ervin stated that the Town should have about \$ 800.00 left in the park grant monies after the playground is done. Nancy also had a list of materials to fix up the bathrooms. The price will be about \$ 300.00 this price was gotten from Streets Store.

A motion was made by Wade Lowdermilk to do the repairs on the bathrooms at the park and to buy the materials at Streets Store. Conrad Pride seconded. Motion carried. The order of the work to be done at the park is as follows: the bathrooms, sign and gravel for parking area.

### NEW BUSINESS:

A resolution was read on Open Government Proceeding Rules. Nancy Cipolloni-Ervin made a motion to accept this resolution. Conrad Pride seconded. Motion carried.

There are trees that need to be trimmed off of Lemon Street and on Chestnut Street, this is not an open alley. Nancy Cipolloni-Ervin is going to find her corners at her own expense. Then the Town will make a decision.

The Mayor asked Council if they thought it would be a good idea to have an open house.

TOWN OF MASONTOWN

RESOLUTION ON OPEN GOVERNMENTAL PROCEEDINGS RULES

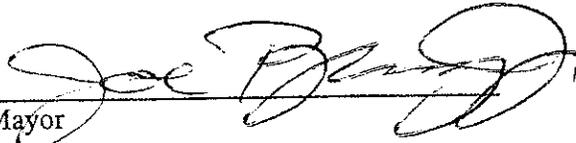
Pursuant to Chapter 6, Article 9A, Section 3 of the West Virginia Code, the Council of the Town of Masontown does hereby adopt the following rules to make available, in advance, the date, time, place and agenda of all regularly scheduled meetings of the Council, and the date, time, place and purpose of all special meetings of the Council to the public and news media (except in the case of an emergency requiring immediate action) as follows:

1. Regular Meetings. A notice shall be posted and maintained by the Town Clerk at the front door or bulletin board of the Masontown Town Hall of the date, time and place fixed and entered of record by Council for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same location by the Town Clerk not less than 48 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is canceled or postponed, a notice of such cancellation or postponement shall be posted at the same location as soon as feasible after such cancellation or postponement has been determined.

2. Special Meetings. A notice shall be posted by the Town Clerk at the front door or bulletin board of the Masontown Town Hall not less than 48 hours before a specialy scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is canceled, a notice of such cancellation shall be posted at the same location as soon as feasible after such cancellation has been determined.

These rules regarding notice of meetings shall replace any and all previous rules heretofore adopted by Council.

Adopted this 10<sup>th</sup> day of May, 2001.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Town Clerk

CERTIFICATION

I, Alice Sines, duly appointed Town Clerk of the Town of Masontown do hereby certify that the foregoing is a true and accurate copy of a Resolution adopted by the Town Council of the Town of Masontown at a regular meeting of Town Council held 5-10, 2001, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 30<sup>th</sup> day of May, 2001.

[SEAL]

Alice Sines  
Town Clerk

04/27/01  
561890/98001



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**TOWN OF MASONTOWN**, a municipal utility  
OF  
MASONTOWN, WEST VIRGINIA  
RATES, RULES AND REGULATIONS FOR FURNISHING  
**SEWERAGE AND SEWAGE DISPOSAL SERVICE**  
at Masontown, Preston County, West Virginia  
Filed with **THE PUBLIC SERVICE COMMISSION**  
of  
**WEST VIRGINIA**

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Issued July 18, 2006

Effective for service rendered on and after July 29, 2006  
or as otherwise provided herein

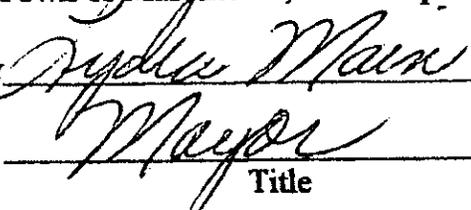
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Adopted by Town Council .

First Reading: May 24, 2006  
Second Reading: May 24, 2006  
Third Reading & Adoption: June 14, 2006

Issued by Town of Masontown, a municipal utility

By

  
\_\_\_\_\_  
Title

RULES AND REGULATIONS

- I. Rules and Regulations for the Government of Sewerage Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

- (C) APPLICABILITY  
Applicable within the entire territory served

AVAILABILITY OF SERVICE  
Available for general domestic, commercial and industrial sanitary sewer service

- (C) RATES (customers with metered water supply)

First	3,000 gallons	\$7.00 per 1,000 gallons
Next	4,000 gallons	5.60 per 1,000 gallons
Next	8,000 gallons	4.71 per 1,000 gallons
Next	10,000 gallons	4.13 per 1,000 gallons
Next	25,000 gallons	3.38 per 1,000 gallons
All Over	50,000 gallons	2.68 per 1,000 gallons

- (C) MINIMUM BILL  
No bill will be rendered for less than the following amounts according to the size of the meter installed:

5/8 x 3/4 inch meter	\$ 21.00	per month
3/4 inch meter	31.50	per month
1 inch meter	52.50	per month
1- 1/2 inch meter	105.00	per month
2 inch meter	168.00	per month
3 inch meter	315.00	per month
4 inch meter	525.00	per month
6 inch meter	1,050.00	per month
8 inch meter	1,680.00	per month

The monthly minimum bill shall be \$21.00 per month.

- (N) LEAK ADJUSTMENT  
\$0.35 per 1,000 gallons is to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all consumption above the customer's historical usage.

- (C) Indicates change in text
- (N) Indicates new

UNMETERED/UNMEASURED RATES

In the event the water supply is unmetered or otherwise unmeasurable, the unmetered rate shall be charged. The unmetered rate shall be \$29.40 per month equivalent to 4,500 gallons usage for residential customers

MULTIPLE OCCUPANCY

Apartment buildings and other multiple occupancy buildings shall be required to pay not less than the monthly Minimum Bill for each unit. Hotels and motels shall be exempt from this multiple occupancy charge.

House trailer or mobile home courts served through a single meter shall be required to pay the monthly Minimum Bill multiplied by the number of units in place at the time the meter is read each month.

(C,I) RESALE RATE

The resale rate or bulk rate shall be \$4.60 per thousand gallons for all usage.

(C) DELAYED PAYMENT PENALTY

The above schedule is net. On all current usage billings not paid in full within twenty (20) days of the billing date, a ten percent (10%) penalty will be added to the net amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water and sewer bills have been paid in full and all accrued penalties plus a Reconnection Charge have been paid.

(N) SECURITY DEPOSIT

\$50.00 or two-twelfths (2/12) of the average annual usage of the applicants customer class, whichever is the greater

- (C) Indicates change in text
- (I) Indicates increase
- (N) Indicates new

(C,D) SEWER CONNECTION CHARGE (Tap Fee)

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$350.00 will be charged to all customers who apply for service outside a certificate proceeding before the Commission for each new tap to the service.

(C) RECONNECTION SERVICE CHARGE

There shall be a Reconnection Charge of \$20.00, to be charged whenever water service has been disconnected for non-payment of sewer bills, or violations of the Rules.

RETURNED CHECKS FOR INSUFFICIENT FUNDS

If a check received is returned by the bank for any reason, the bank's charge to the Town shall be the Town's charge to the customer for such a bad check, up to a maximum charge of \$20.00.

**(N) SURFACE OR GROUNDWATER SURCHARGE**

An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utilities sewer system.

Wherever the utility has discovered that a customer's roof drain, downspout, storm sewer, or other similar facilities conducting surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action within thirty (30) days of receipt of a demand by the Utility, in accordance with the Rules and Regulations of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

- S - The surcharge in dollars
- A - The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet
- R - The measured monthly rainfall, in inches
- .0006233 - A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water
- C - the utility's approved rate per thousand gallons of metered water usage.

The utility shall not impose the surcharge unless, and until, the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on-site inspection that rain or other surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia

**(N)** Indicates new

**PUBLIC NOTICE OF CHANGE IN RATES BY THE TOWN OF MASONTOWN**

NOTICE is hereby given that the Town of Masontown public utility, has adopted by ordinance on June 14, 2006, a tariff containing increased rates, tolls and charges for furnishing sewer service to 502 customers at Masontown, Bretz and Reedsville in the County of Preston

The proposed increased rates and charges will become effective August 1, 2006, unless otherwise ordered by the Public Service Commission and will produce approximately \$44,091 annually in additional revenue, an increase of 22.4%. The average monthly bill for the various classes of customers will be changed as follows:

	<u>(\$) INCREASE</u>	<u>INCREASE (%)</u>
Residential	\$ _____	_____ %
Commercial	\$ _____	_____ %
Industrial	\$ _____	_____ %
Resale	\$ <u>3,674.25</u>	<u>203</u> %
Other	\$ _____	_____ %

Resale customers of the Town of Masontown include the Town of Reedsville.

The increases shown are based on averages of all customers in the indicated class. Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing. The Commission shall review and approve or modify the increased rates only upon the filing of a petition within thirty (30) days of the adoption of the ordinance changing said rates or charges, by:

- (1) Any customer aggrieved by the changed rates or charges who presents to the Commission a petition signed by not less than twenty-five percent of the customers served by such municipally operated public utility; or
- (2) Any customer who is served by a municipally operated public utility and who resides outside the corporate limits and who is affected by the change in said rates or charges and who presents to the Commission a petition alleging discrimination between customers within and without the municipal boundaries. Said petition shall be accompanied by evidence of discrimination; or
- (3) Any customer or group of customers who are affected by said change in rates who reside within the municipal boundaries and who present a petition to the Commission alleging discrimination between said customer or group of customers and other customers of the municipal utility. Said petition shall be accompanied by evidence of discrimination.

All petitions should be addressed to the Executive Secretary, Public Service Commission of West Virginia, 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

A complete copy of the proposed rates as well as a representative of the utility to provide any information requested concerning it, is available to all customers, prospective customers, or their agents at any of the following offices of the utility:

Masontown Water Works Office, Main Street, Masontown

A copy of the proposed rates is available for public inspection at the office of the Executive Secretary of the Public Service Commission at 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.



**TOWN OF MASONTOWN REGULAR MEETING  
MAY 24<sup>TH</sup> 2006**

The Town Council of Masontown met in regular session at Town Hall at 6:00 p.m. The meeting was called to order by the recorder Sandy Ennis. Members present were Whillis McGinnis, Mick Thrasher, Wade Lowdermilk, Roxie Turner and Marvin Stuck.

The minutes of May 10<sup>th</sup> were read by the recorder and approved.

**OLD BUSINESS:**

Roxie gave a demolition report. The house on Depot Street has started being demolished. She has not heard from Nan Stevens on the two (2) properties under condemnations. She will try again tomorrow. A letter will be sent to Rosemary Kennedy tomorrow May 25<sup>th</sup> concerning her property and will give her 30 days to have work done.

**NEW BUSINESS:**

Mick reported to Council that Street Motor object to the decision of making the alley beside them a 2-way street. Discussion followed concerning this alley and the Midway Street by Conrad's store.

Wade moved ~~to amend~~ to make the alley/Rt 7 to East Street by Street Motor and Midway Street by Conrad's store back to being one-way streets. Mick second. Motion carried.

Marvin read the 1<sup>st</sup> reading to amend and re-enact the Town of Masontown Sewer Tariff Ordinance #96.

Marvin reported that the Lions Club wants permission from the Town of Masontown to build a 12' x 16' pavilion, enclosed on both ends, and a bike rack in the back by the Rails to Trails just past the bridge. A boy scout, Luke White, will build it toward becoming an eagle scout.

Wade moved to give the Lions Club permission to build a 12' x 16' pavilion on Town property by the Rails to Trail. They will provide all material with no cost to the Town and Luke White will built it to earn his eagle badge. The Town will check on insurance coverage and liabilities before any construction can be started. Whillis second. Discussion followed.

Motion carried.

Mick told Council that the Town's lawyer for the insurance adjusters, concerning John McKinney's property, suggested the Town tear out the catch basins and put new ones in and run new piping. Discussion followed.

Marvin moved to fix the problem, ~~tear out~~ the catch basins, ~~put new ones in~~ and run new piping on John McKinney's property providing photographs are taken documenting everything on McKinney's side and Ferri's side. Mick second. Motion carried.

Marvin read the 2<sup>nd</sup> reading to amend and re-enact the Town of Masontown Sewer Tariff Ordinance #96.

The 3<sup>rd</sup> reading will be next Council meeting June 14<sup>th</sup>. If there are no objections, the rate will go in effect after 45 days.

Roxie talked to the DEP concerning burning in Town limits. Roxie read a mandate regulating open burning in the Town Masontown. Questions, answers and discussion followed.

Roxie read the 1<sup>st</sup> reading ordinance regulating open burning in the Town of Masontown. The purpose of this is to prevent and control air pollution from combustion of refuse. This will be Ordinance #102. Discussion followed.

Roxie moved to accept the mandate regulating open burning in the Town of Masontown. Marvin second. Motion carried.

Roxie reported that she has had several calls that the people that live by Josephine Lawrence have a dog that does its business on her property. She is not able to clean it up, but something needs done. It may be Jennifer Smeltz dog. She will be notified. She reported that she has several complaints that a list will be given to a police officer to take care of them.

There was discussion on speed bumps. Whillis reported that he has not heard from the WVU gentleman concerning this.

There was discussion concerning the speed limit and children playing signs on Depot Street.

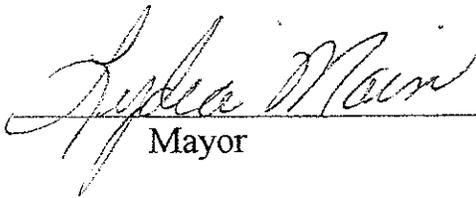
Mick reported that Parrotta Paving will be paving Midway Street next week.

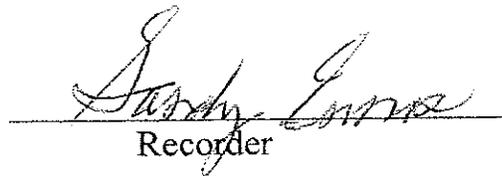
Marvin reported that the handicap requirements for the park have been received and the design plans can be finalized.

Sandy gave a treasurer report.

Wade moved to pay all bills. Whillis second. Motion carried.

Meeting was adjourned at 7:40 p.m.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Recorder

**TOWN OF MASONTOWN REGULAR MEETING  
JUNE 14<sup>TH</sup> 2006**

The Town Council of Masontown met in regular session at Town Hall at 6:00 p.m. The meeting was called to order by Mayor Lydia Main. Members present were Whillis McGinnis, Mick Thrasher, Wade Lowdermilk, Roxie Turner, Marvin Stuck and Sandy Ennis.

The minutes of May 24<sup>th</sup> were read by the recorder. Corrections were made. Marvin moved to accept the corrected minutes. Roxie second. Motion carried.

**OLD BUSINESS:**

Mayor Main read a letter from the Valley District Lions Club concerning taking full responsibility for maintenance of a pavilion being built by a Boy Scout working on his Eagle Project on property belonging to the Town of Masontown. Attached to the minutes is a copy of this letter.

Marvin moved to accept this letter from the Valley District Lions Club. Wade second. Motion carried.

Roxie gave a demolition report. Rosemary Kennedy told Roxie that her property is for sale as is. Roxie told her whoever buys the property; it will be their responsibility to tear the house down. They will be sending the Town a letter stating when it is going up for sale. Mayor Main said she gave them 30 days to do so.

Nan Stevens still has not answered Roxie's calls. A letter will be sent to Susie Huggins on her 2 properties and now will go into demolition.

Mayor Main said a letter has been sent to Mrs. Soccorsi concerning the cats around her property.

Roxie gave a report on the new changes for the proposed Burning Ordinance in Town limits for the 2<sup>nd</sup> Reading. Discussion followed concerning this ordinance followed by questions, answers and concerns on the wording in this ordinance.

Marvin moved to table the proposed Burning Ordinance, Roxie will get burning permits information from other Towns and bring back to the next council meeting. Whillis second. Motion carried.

Mayor Main read a letter from the insurance lawyer what he recommends concerning John McKinney's property suit. A copy of this letter is attached. Discussion followed. Council agreed that Marvin, Wade, Mick and Whillis will take a look at this property, come back to the next Council meeting with some recommendations on what can be done.

Marvin read the 3<sup>rd</sup> Reading to amend and re-enact the Town Masontown Sewer Tariff Ordinance #96.

Marvin moved to accept this Sewer Tariff Ordinance #96. Wade second. Motion carried.

Roxie moved to pay Parrotta Paving bill \$6750.00 for the Midway Street paving. Marvin second. Motion carried.

Mayor Main read a letter from the Bretz Community Association wanting a donation. Council agreed there is no money put in the budget to give out any donations.

#### NEW BUSINESS:

Roxie moved to reappoint Marvin Stuck to the Preston County EDA Board of Directors. Wade second. Motion carried.

Mayor Main reported that there was only one Water Board Applicant, Jack Radabaugh.

Whillis moved to reappoint Jack Radabaugh to the Water Board. Marvin second. Motion carried.

Mayor Main read a thank you letter from Mary Lee Ramsey for the work done by Mick and Sam replacing a culvert in the alley.

Ann Marie Metheny brought to Council's attention about speeding cars on Depot Street, signs that need replaced, water diversions, speed bumps, and foul language among neighbors. Discussion followed. Mayor Main will call S O Pratt concerning the signs he was to make.

Marvin gave a finance report.

Marvin moved to pay Parrotta Paving bill out of the Coal & Severance Fund. Wade second. Motion carried.

Wade gave a park report. Each Council person had a copy of the restroom specs.

Marvin moved to pay \$200 registration fee for Mayor Main to attend the WV Municipal League Conference in August. Wade second. Motion carried.

Mayor Main gave a treasurer report.

Wade moved to pay all bills. Whillis second. Motion carried.

Eric Belldina asked Council concerning personal property grass cutting and whose responsibility it is. He feels the Town should not be cutting grass on personal property and if so a bill should be sent to the owner if the Town mows it. Discussion followed.

Meeting was adjourned at 7:55 p.m.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Recorder



# Certificate of Publication

## LEGAL NOTICE

### NOTICE

#### TOWN OF MASONTOWN

Notice is hereby given that the Town of Masontown, a municipal corporation, will hold a hearing before the final vote on a proposed ordinance, the principal object of which is the increase of sewer rates for customers of the sewer system operated by the Town of Masontown. The title of such ordinance is "An Ordinance to Increase Sewer Rates." The final vote on adoption of said proposed ordinance shall be held in the Council Chambers of the Town of Masontown, Town Hall, Midway Avenue, Masontown, West Virginia, on June 14, 2006, at six o'clock (6:00) p.m. Interested parties may appear and be heard at such time with respect to the passage of the proposed ordinance. Copies of the proposed ordinance are available at the Masontown Water Works Office, Main Street, Masontown, West Virginia.

Lydia Main, Mayor  
5/31,6/7

I, **Carol Peters**, the undersigned Advertising Manager of The Preston County Journal, a weekly newspaper of general circulation, published at Kingwood, Preston County, West Virginia, do hereby certify that the notice of final vote to increase sewer rates

a copy of which notice is hereto annexed, was published in said paper for two successive weeks, beginning with its issue of 5/31/06

and expiring with its issue of 6/7/06

And, I do further certify that on 6/7/06

I posted and left posted, a copy of said notice at the front door of the Courthouse of said county.



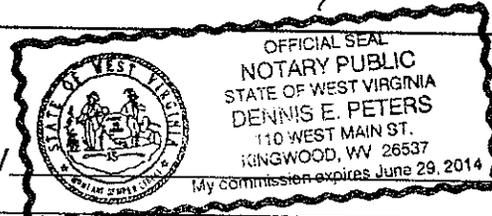
ADVERTISING MANAGER

Subscribed and sworn to before me this the 7<sup>th</sup> day of June, 2006



NOTARY PUBLIC

My commission expires 6/29/2014



Kingwood, WV  
Received of \_\_\_\_\_

Amount for publishing notice hereto \$ \_\_\_\_\_

ADVERTISING MANAGER

# Certificate of Publication

## LEGAL NOTICE

**PUBLIC NOTICE OF CHANGE IN RATES BY THE TOWN OF MASONTOWN**  
 NOTICE is hereby given that the Town of Masontown public utility, has adopted by ordinance on June 14, 2006, a tariff containing increased rates, tolls and charges for furnishing sewer service to 502 customers at Masontown, Bretz and Reedsville in the County of Preston.

The proposed increased rates and charges will become effective August 1, 2006, unless otherwise ordered by the Public Service Commission and will produce approximately \$44,091 annually in additional revenue, an increase of 22.4%. The average monthly bill for the various classes of customers will be changed as follows:

	(\$) INCREASE	INCREASE (%)
Residential	\$ _____	_____ %
Commercial	\$ _____	_____ %
Industrial	\$ _____	_____ %
Resale	\$ 3,674.25	_____ %
Other	\$ _____	203 %

Resale customers of the Town of Masontown include the Town of Reedsville.

The increases shown are based on averages of all customers in the indicated class. Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its view of this filing. The Commission shall review and approve or modify the increased rates only upon the filing of a petition within thirty (30) days of the adoption of the ordinance changing said rate or charges, by:

- (1) Any customer aggrieved by the changed rates or charges who presents to the Commission a petition signed by not less than twenty-five percent of the customers served by such municipally operated public utility; or
- (2) Any customer who is served by a municipally operated public utility and who resides outside the corporate limits and who is affected by the change in said rates or charges and who presents to the Commission a petition alleging discrimination between customers within and without the municipal boundaries. Said petition shall be accompanied by evidence of discrimination; or
- (3) Any customer or group of customers who are affected by said change in rates who reside within the municipal boundaries and who present a petition to the Commission alleging discrimination between said customer or group of customers and other customers of the municipal utility. Said petition shall be accompanied by evidence of discrimination.

All petitions should be addressed to the Executive Secretary, Public Service Commission of West Virginia, 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

A complete copy of the proposed rates as well as a representative of the utility to provide any information requested concerning it, is available to all customers, prospective customers, or their agents at any of the following offices of the utility:  
 Masontown Water Works Office, Main Street, Masontown

A copy of the proposed rates is available for public inspection at the office of the Executive Secretary of the Public Service Commission at 201 Brooks Street, P.O. Box 812, Charleston, West Virginia 25323.

6/21,28

I, **Carol Peters**, the undersigned Advertising Manager of The Preston County Journal, a weekly newspaper of general circulation, published at Kingwood, Preston County, West Virginia, do hereby certify that the notice of change in sewer rates

a copy of which notice is hereto annexed, was published in said paper for two successive weeks, beginning with its issue of 6/21/06

and expiring with its issue of 6/28/06

And, I do further certify that on 6/28/06

I posted and left posted, a copy of said notice at the front door of the Courthouse of said county.

*Carol Peters*

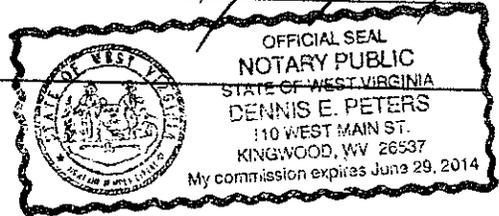
ADVERTISING MANAGER

Subscribed and sworn to before me this the 28th day of June, 2006

*Dennis E. Peters*

NOTARY PUBLIC

My commission expires 6/29/2014



Kingwood, WV \_\_\_\_\_

Received of \_\_\_\_\_

Amount for publishing notice hereto \$ \_\_\_\_\_

ADVERTISING MANAGER



# Certificate of Publication

## LEGAL NOTICE

### NOTICE OF PUBLIC HEARING ON TOWN OF MASONTOWN BOND ORDINANCE

A public hearing will be held on the following-entitled Ordinance at a regular meeting of the Council of the Town of Masontown (the "Town") to be held on Wednesday, January 24, 2007, at 6:00 pm at the Town of Masontown Town Hall, One Midway Avenue, Masontown, West Virginia, and at such hearing any person interested may appear before the Town and present protests, and all protests and suggestions shall be heard by the Town and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

### BOND AUTHORIZING ORDINANCE OF TOWN OF MASONTOWN

ORDINANCE AUTHORIZING THE COMPLETION OF THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE TOWN OF MASONTOWN, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$261,500 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2007 A (UNITED STATE DEPARTMENT OF AGRICULTURE) (DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The Town contemplates the issuance of the Bonds described in the Ordinance. The proceeds of the Bonds will be used to provide permanent financing of the costs of acquisition and construction of certain additions, betterments and improvements to the municipal wastewater system of the Town of Masontown and to pay certain costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the wastewater system of the Town. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

A certified copy of the above-entitled Ordinance is on file with the Town for review by interested parties during regular office hours.

Following the public hearing, the Town intends to enact the Ordinance upon final reading.

Dated: January 4, 2007

/s/Lydia Main  
Mayor

I, **Carol Peters**, the undersigned Advertising Manager of The Preston County Journal, a weekly newspaper of general circulation, published at Kingwood, Preston County, West Virginia, do hereby certify that the notice

Notice of Public Hearing - Town of Masontown.

copy of which notice is hereto annexed, was published in said paper for Two successive weeks, beginning with its issue of 1/10/07

and expiring with its issue of 1/17/07

and, I do further certify that on 1/17/07

posted and left posted, a copy of said notice at the front door of the Courthouse of said county.

ADVERTISING MANAGER

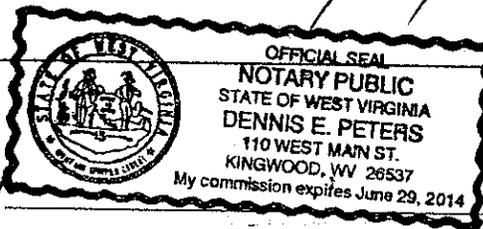
Subscribed and sworn to before me this the

7<sup>th</sup> day of January, 2007

NOTARY PUBLIC

My commission expires

6/29/2014



Kingwood, WV

Received of \_\_\_\_\_

Amount for publishing notice hereto \$ \_\_\_\_\_

ADVERTISING MANAGER



**TOWN OF MASONTOWN REGULAR MEETING**  
**JANUARY 24<sup>TH</sup> 2007**

The Town of Masontown met in regular session at Town Hall at 6:00 p.m. The meeting was called to order by Mayor Lydia Main. Members present were Whillis McGinnis, Mick Thrasher, Roxie Turner, Marvin Stuck and Sandy Ennis.

The minutes of January 10<sup>th</sup> were read by the recorder. Corrections were made and minutes approved.

**NEW BUSINESS:**

The Mayor called for the Public Hearing for the Sewer Board Ordinance.

No one spoke or opposed this Ordinance.

Vince Collins was present to answer questions if needed.

Marvin read the 3<sup>rd</sup> Reading of the Sewer Board Ordinance which is authorizing the completion of the acquisitions of construction and certain conditions and improvements to the current existing sewer treatment facilities of the Town of Masontown and the financing of the cost.

Marvin moved to accept the 3<sup>rd</sup> Reading of the Sewer Revenue Bond Ordinance. Roxie second. Motion carried.

Marvin read the 1<sup>st</sup> Reading of Water Revenue Bond Ordinance which is authorizing acquisitions of construction of additions and improvements to the existing public water works system for the Town of Masontown and the financing of the cost not otherwise provided.

Marvin moved to accept the 1<sup>st</sup> Reading of the Water Revenue Bond Ordinance. Whillis second. Motion carried.

Roxie read the 3<sup>rd</sup> Reading of the amendment to Building Code #101.

The Mayor asked for any objections in the audience. There was none.

Roxie moved to accept the 3<sup>rd</sup> Reading to amend Ordinance #101, the 2000 IPMC, which has been updated to the 2003 IMPC, also adopted by the State of WV. Any further upgrades will be automatically adopted. Whillis second. Motion carried.

OLD BUSINESS:

Mayor Main gave a Street report.

Mayor Main gave a Police report.

Marvin gave a Finance report. Marvin reported that a CD became due January 23.

Marvin moved to renew this CD for 12 months at 5%. Roxie second. Motion carried.

Whillis gave a Ordinance report.

Mick gave a Park report.

Roxie gave a Demolition report.

Mayor Main read letters from Susie Huggins and her attorney Teresa Lyons concerning her properties on Maple Street and Depot Way. (A copy attached to the minutes) Discussion followed.

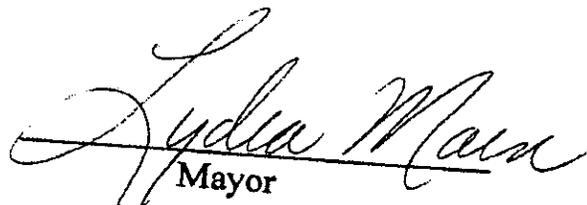
Roxie will call Mike Stone concerning this money.

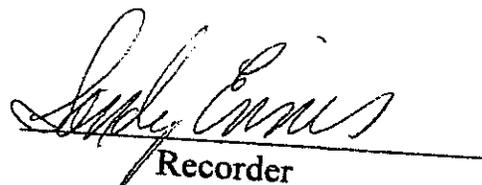
Whillis asked about the increase for the minimum wage. No increase has been enacted yet.

Mayor Main gave a Treasurer report.

Marvin moved to pay all bills. Roxie second. Motion carried.

Meeting was adjourned at 6:30 p.m.

  
Mayor

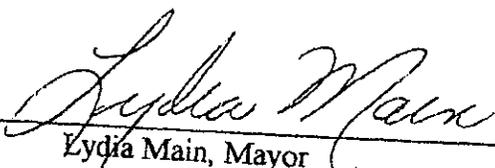
  
Recorder

**SPECIAL MEETING  
TOWN OF MASONTOWN  
TUESDAY, FEBRUARY 13, 2007  
10:00 A.M.**

The Town of Masontown met in a special session on Tuesday, February 13, 2007, at 10:00 a.m. at the Masontown Water Works Office on Main Street. The purpose of this meeting was to have the 2<sup>nd</sup> reading of the Water Revenue Bond Ordinance. Members present were Lydia Main, Roxie Turner, Mick Thrasher, Marvin Stuck and Whillis McGinnis.

Marvin Stuck read the Water Revenue Bond Ordinance. A motion was made by Roxie Turner and seconded by Whillis McGinnis to accept this reading. Motion passed.

Meeting was adjourned at 10:15 a.m.

  
Lydia Main, Mayor

**TOWN OF MASONTOWN REGULAR MEETING  
DECEMBER 13<sup>TH</sup> 2006**

The Town Council of Masontown met in regular session at Town Hall at 6:00 p.m. The meeting was called to order by Mayor Lydia Main. Members present were Whillis McGinnis, Mick Thrasher, Roxie Turner, Marvin Stuck, and Sandy Ennis.

The minutes of November 8<sup>th</sup> were read by the recorder. Corrections were made. Whillis moved to accept the corrected minutes. Marvin second. Motion carried.

**NEW BUSINESS:**

Marvin read the 1<sup>st</sup> Reading of Sewer Revenue Bond Ordinance which is authorizing the completion of the acquisitions of construction and certain conditions and improvements to the current existing sewer treatment facilities of the Town of Masontown and the financing of the cost.

Mick moved to accept the 1<sup>st</sup> Reading of the Sewer Revenue Bond Ordinance. Roxie second. Motion carried.

The 2<sup>nd</sup> Reading will be next Council meeting January 10<sup>th</sup> 2007 and the 3<sup>rd</sup> Reading will be January 24<sup>th</sup> 2007 and the Bond Council will attend.

The Mayor reported there will be no Council meeting December 27<sup>th</sup> due to the Christmas holidays.

The Mayor reported the MUB extension pre-bid is December 19<sup>th</sup> 2006 at 10:00 a.m. at Masontown Town Hall. The bid opening will be January 9<sup>th</sup> 2007 at 2:00 p.m. at Masontown Town Hall. Construction may start the end of February.

The Mayor gave a report on the progress of Bull Run possible getting water from Masontown and donated money to the project.

**OLD BUSINESS:**

Roxie gave a demolition report. The Emerson property is about 80% complete.

The Mayor reported that she had to give Susie Huggins an emergency building

permit for wind damage on one of her properties.

Conrad asked Council about the Chucks Furniture truck at top of hill. Police Officer Broadstock reported the sticker and plates are dead but they are to make it legal and as long as it is sitting on private property and is legal nothing can be done. If the truck is not legal by the 1<sup>st</sup> of the year the Town will send a certified letter to the owner.

Roxie read the 1<sup>st</sup> Reading of the amendment to Building Code #101.

Marvin moved to amend Ordinance #101, the 2000 IPMC, which has been updated to the 2003 IPMC, also adopted by the State of WV. Any further upgrades will be automatically adopted. Roxie second. Motion carried.

Mick moved to buy an iron pipe tap drilling machine for approximately \$1500.00 which Blue Book was the only carrier for this type of machine. Marvin second. Motion carried.

Mick gave a Street report.

Roxie reported Belldina's Pharmacy gave a \$25.00 donation toward the Christmas lights.

Police Chief Brown gave a police report.

Marvin gave a financial report. Marvin recommended to add a third person to sign checks in case 1 person is out of town for emergency.

Roxie moved to put on Marvin Stuck to sign checks. Mick second. Motion carried.

Mick gave a park report. The block work should be done December 14<sup>th</sup> and then go under roof if weather holds.

The Mayor read a letter from the Cassidy family on Mt. Zion Road thanking the 3 firemen from the Masontown Fire department for a job well done for helping them in stopping a fire on their property. The Mayor gave the letter to Eric Belldina to give to the fire department.

The Mayor read a letter from Magistrate Lew Ault thanking everyone for a good

year and wishing everyone the best for the new year.

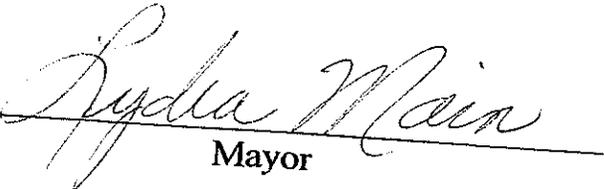
Joyce Johnson reported the garbage debris has started again and there is an illegal car on Depot Street. A letter will be sent to the tenant and the property owner, if the property is not cleaned up in front of their house within 10 days, the Town will clean it up and they will be billed.

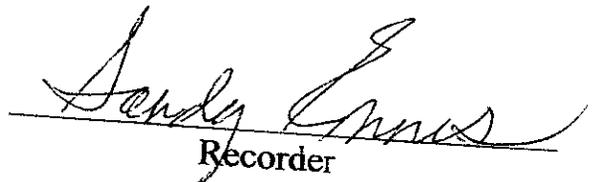
The Mayor gave a treasurer report.

Marvin moved to pay all bills. Mick second. Motion carried.

Roxie moved to pay the Mid Municipal Conference registration fees for Mayor Main which is approximately \$200.00. Mick second. Motion carried.

Meeting was adjourned at 7:15 p.m. followed by a Christmas party.

  
Mayor

  
Recorder



10

TOWN OF MASONTOWN

ORDINANCE CREATING A SANITARY BOARD  
OF THE TOWN OF MASONTOWN

WHEREAS, the Town of Masontown (the "Town") now contemplates the issuance of its sewer revenue bonds to finance the acquisition, construction and equipping of a sanitary sewerage system, and future additions, extensions and improvements thereto (the "System"), pursuant to Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"); and

WHEREAS, the Act requires that a sanitary board be established in connection with the issuance of sewer revenue bonds, as aforesaid, and in connection with the custody, administration, operation and maintenance of such a sewer system by a municipal corporation;

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE TOWN COUNCIL OF THE TOWN OF MASONTOWN AS FOLLOWS:

Section 1. The Council of the Town (the "Council") does hereby create and establish a Sanitary Board (the "Sanitary Board" or "Board"), with all powers and duties as provided in and pursuant to the Act.

Section 2. Composition; Chairman; Appointment of Members. The Sanitary Board shall be composed of the Mayor of the Town, who shall act as Chairman of the Sanitary Board, and two persons appointed by the Council, one of whom, during the period of construction of the System or any additions thereto must be a registered professional engineer. The engineer member of the Board need not be a resident of said municipality. After the construction of the System has been completed, the engineer may be succeeded by a person not an engineer. The appointees shall originally be appointed for terms of 2 and 3 years respectively, and upon the expiration of each such term and each succeeding term, appointment of a successor shall be made in like manner for a term of 3 years. Vacancies shall be filled for an unexpired term in the same manner as the original appointment. No officer or employee of the Town, whether holding a paid or unpaid office, shall be eligible to appointment on the Sanitary Board until at least 1 year after the expiration of the term of his public office.

Section 3. Organizational Meetings; Vice Chairman, Secretary, Treasurer; Official Bonds. As soon as may be practicable following the appointment of a new member of the Sanitary Board, the Board shall hold an organizational meeting and choose a vice

chairman from among its members, and a secretary and treasurer, who may be one person and need not be a Board member, and such officers shall hold office at the will of the Board. No bond shall be required of the Board members as such, but the treasurer, whether a member of the Board or not, shall give bond as required under Section 9 hereof.

Section 4. Compensation and Expenses of Board Members. The members of the Sanitary Board shall receive such compensation, if any, for their services, either as a salary or as payments for meetings attended, as the Council may determine, and shall be entitled to payment for their reasonable expenses incurred in the performance of their duties. Any such compensation and expenses paid solely from funds derived from the System, but there shall be no liability upon the Town for any compensation or expenses so incurred.

Section 5. Powers, Duties and Limitations. A. The Sanitary Board shall have the supervision and control of the custody, administration, operation and maintenance of any and all works for the collection, treatment and disposal of sewage, which are now owned or may hereafter be acquired by the Town.

B. The Sanitary Board shall have power to take all steps and proceedings and to make and enter into all contracts or agreements necessary or incidental to the performance of its duties and the execution of the powers granted to such Board by the Act, as the same now exists and may hereafter be amended; but the powers of the Sanitary Board shall be subject to all restrictions and limitations contained in the Act as the same now exists or may hereafter be amended.

C. The Sanitary Board may employ engineers, architects, inspectors, superintendents, managers, collectors, attorneys and such other personnel as in its judgment may be necessary in the execution of its powers and duties, and may fix their compensation, all of whom shall do such work as the Board shall direct. All such compensation and all expenses incurred in carrying out the provisions of the Act shall be paid solely and only from funds provided under the authority of the Act, and the Board shall not exercise or carry out any authority or power given it so as to bind the Board or the Town beyond the extent to which money shall have been or may be provided under the authority of the Act. No contract or agreement with any contractor or contractors for labor and/or material exceeding the sum of \$5,000 shall be made without advertising for bids, which bids shall be publicly opened and award made to the best bidder, with power in the Board to reject any and all bids.

D. The construction, acquisition, improvement, equipment, custody, operation and maintenance of any such works for the collection, treatment or disposal of sewage and the collection of revenues therefrom for the service rendered thereby shall be under the supervision and control of the Sanitary Board.

E. After the construction, acquisition, installation and completion of such works, the Sanitary Board shall operate, manage and control the same and may order and

complete any extensions, betterments and improvements of and to the works that the Board may deem expedient if funds therefor be available or made available as provided by the Act, and shall establish rules and regulations for the use and operation of the works and of other sewers and drains connected therewith so far as they may affect the operation of such works, and to do all things necessary or expedient for the successful operation thereof, and the Board shall have in addition hereto any and all powers granted to it by the Act, or which may be granted to it by amendments to the Act, hereafter made, subject to any and all restrictions and limitations therein contained.

Section 6. Duty of Board to Restore Property Damaged by its Activities. All public ways or public works damaged or destroyed by the Sanitary Board in carrying out its authority under this ordinance and the Act shall be restored or repaired by the Board and placed in their original condition, as nearly as practicable, if requested so to do by the proper authorities, out of the funds provided by the Act.

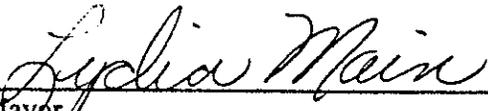
Section 7. Publication of Financial Statement. The Sanitary Board shall prepare a financial statement and cause it to be published as a Class I legal advertisement in compliance with the provisions of Chapter 59, Article 3 of the West Virginia Code of 1931, as amended, and the publication area for such publication shall be the sanitary district. Such statement shall contain an itemized account of the receipts and expenditures of the Board during the previous fiscal year, showing the source from which all money was derived, and the name of the person to whom an order was issued, together with the amount of such order, and why such order was issued, arranging the same under distinct heads, and including all money received and expended from the sale of bonds, and also a specific statement of the debts of such Board, showing the purpose for which any debt was contracted, the amount of money in all funds at the end of the preceding year, and the amount of uncollected service charges. Such statement shall be prepared and published by the Board as soon as practicable after the close of the fiscal year. The statement shall be sworn to by the chairman and secretary and treasurer of the Board.

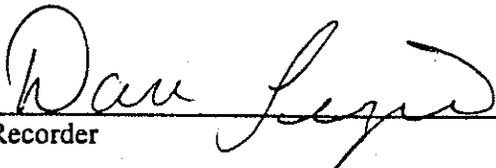
Section 8. Procedure for Disbursement of Funds. All funds under the supervision of the Sanitary Board shall be disbursed, as disbursements are required, by check drawn upon the proper fund or account, and such checks shall be properly signed by the authorized officer or agent of the Board. All such disbursements shall be approved by the Board.

Section 9. Fidelity Bonds. The Sanitary Board shall require all persons who collect or otherwise handle funds of the Board or the System to furnish a good and proper bond, with a recognized and reputable surety, conditioned upon the faithful performance of their duties and for the proper handling and care of said funds in their hands. Such bond shall be in an amount equal to the sum of money which might at any one time be in the hands of such person or persons.

Section 10. Effective Date. This Ordinance shall take effect immediately following the second reading hereon.

Passed on First Reading:	December 10, 1998
Passed on Second Reading:	January 14, 1999

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Recorder

REGULAR MEETING - DECEMBER 10, 1998

The Town Council of Masontown met in regular session at the Town Hall at 6:00 p.m. The meeting was called to order by the Mayor, Lydia Main. Members present were Marvin Stuck, Jean Friend, Conrad Pride, Perry Mathew and Delmer Gibson.

The minutes of the meeting of November 20, 1998, were read and approved.

The Chief reported that he had taken care of the problems with Doug Johnson's garbage, B & K Mart's parking and John Moons fence.

Perry reported that he had contacted Terry Cochran at Allegheny Power Company, in regard to getting the pole moved at the Corner of East Depot Street and Route #7. He was told not to "hold much faith" in getting this pole moved.

The Chief also reported that he had talked with Street's Store in regard to the trucks loading and unloading in front of the store (on Rt #7). They said they would do their best to take care of this problem.

An invitation from Cerrone and Associates to their Christmas Party was given to Council Members. There was not any interest shown from Council.

An Ordinance Creating A Sanitary Board of the Town of Masontown was discussed and questions were asked. A motion was made by Marvin Stuck and Seconded by Conrad Pride to pass this Ordinance through the First Reading. Motion carried.

It was announced that there would be a special Police Committee meeting on December 14, 1998, at 5:00 p.m.

The legal ad soliciting sealed bids on the new Town Hall has been placed in the Preston County Journal/News. Dan mentioned that he had a real concern about paying back the loan that will be needed to pay for this building.

Council is taking suggestions as to what they would like to buy for the Police Department with the recent \$1000 donation from the American Legion.

There will not be any council meeting until January 14th, 1999; because, the next regularly scheduled meeting falls on Christmas Eve. Also, Town Hall will close at noon on December 24th and on December 31st.

A letter was looked at by Council in regard to an upcoming raise in the cable.

Roy Deavers was thanked for his extra work since Dave Feather has been off.

It was decided to bag the parking meters in Town until after Christmas, to allow free parking.

A motion was made by Marvin Stuck to pay the bills. Delmer Gibson seconded the motion. Motion passed.

The Mayor reported that she is looking into the possibility of getting some streets in the Corporation repaired under the "Orphan Road Program". This is to be discussed further at our next meeting.

10311	SuperAmerica	Gas/Police	60.19
10312	WV State Treas. Office	CVR-LET-RJ For Nov.	2,070.00
10313	S & K Sanitation	November	1,665.72
10314	Alice Sines	½ Sal. 11/11 to 11/24/98	178.63
10315	A & A Office Helpers	Office Supplies	8.21
10316	Thomas Broadstock	Sal. 11/19 to 12/02/98	150.91
10317	Brueau of Child Support	T. Broadstock	253.50
10318	Roy Denjen	Sal. 11/19 to 12/02/98	404.89
10319	Lydia Main	Travel Exp. to Charleston 11/06, 11/13, 11/17	316.80
10320	Alice Sines	½ Sal. 11/25 to 12/08/98	178.17
10321	Streets Store	Supplies	22.59
10322	Citizens Communication	Phone Bill ½ 864-5555	12.49

REGULAR MEETING - JANUARY 14, 1999

The Town Council of Masontown met in regular session at the Town Hall at 6:00 p.m. The meeting was called to order by the Mayor, Lydia Main. Members present were Marvin Stuck, Jean Friend, Conrad Pride, Perry Mathew and Delmer Gibson.

The minutes of the meeting of December 10, 1998, were read and approved. Building Permits were approved for Brian Malcolm and Italia Sylvester.

Discussion on what roads to request getting repaired under the "Orphan Road Program". Conrad Pride made a motion that we include Lemon Avenue, Orchard Street and Monkey Row by Resolution. Marvin Stuck seconded the motion. Motion passed.

Second reading was held on the Ordinance Creating a Sanitary Board of the Town of Masontown. A motion was made by Marvin Stuck and seconded by Conrad Pride to pass this Ordinance through the second reading. Motion passed.

Holly Childs discussed the sewer project. Council was not happy with the projected starting date of construction, which was November. Lydia was to contact Cerrone & Associates in regard to this.

Holly also reported that the prison people will be in town next week; but, a formal announcement will not be made until March 1st.

The "Rules & Regulations" for the Police Department was discussed. A motion was made by Delmer Gibson and seconded by Dan Luzier to accept these Rules & Regulations. Motion passed.

The American Legion gave the Police Department an additional \$500 donation. A motion was made by Marvin Stuck and seconded by Dan Luzier to purchase another portable radio for the Police Department, using part of the money donated by the American Legion. Motion passed. Dan is to take care of getting this radio.

A motion was made by Marvin Stuck and seconded by Perry Mathew that we send letters to Larry Williams in regard to getting money for a cinder spreader; and, to see if it would be possible to get the Department of Highways to locate a garage back in the Masontown area. Motion passed.

A letter has been sent to SuperAmerica about the possibility of them donating their property to the Town for a new Town Hall.

A letter is to be sent to Senator Jon Hunter asking his support of Senate Bill 444.

Conrad will start on sewer right-of-ways as soon as possible.

A Certificate has been presented to the Police Department for Incident Base Reporting. Marvin thanked Alice for the fine job that she has been doing on the police department computer.

Perry asked about snow removal on the town streets on the weekends.

Nancy Cipolloni suggested that maybe if the town could get people to park off of the streets, this would help with the snow removal. Also, she suggested that they try to plow down-hill instead of up-hill.

The DOH is to be contacted in regard to the speed of some of their drivers coming through town spreading cinders. Lydia and Conrad both said that cinders have hit their windows when these trucks have been going too fast.

Donna Montgomery thanked the town for the "No Parking Against Traffic" sign in front of Streets Store. She said that this has really helped the problems with parking there.

The sealed bids on the new town hall were opened by the Mayor. They were as follows: J & J Homes --- \$61,000

Town & Country Homes --- \$71,803

Dan suggested that the Mayor take these bids to Charleston with her and see if we can get additional funds to help pay for this new town hall.

A motion was made by Perry Mathew and seconded by Marvin Stuck to sell the tires off of the Dynasty to Tom Broadstock for \$80.00. Motion passed. Tom is to switch tires from his car back to the Dynasty.



THE TOWN OF MASONTOWN

Sewer Revenue Bonds, Series 2004 A  
(United States Department of Agriculture)

PETITION OF SANITARY BOARD

The Sanitary Board of The Town of Masontown (the "Town") hereby petitions the Council of the Town to enact an ordinance directing that sewer revenue bonds of the Town be issued pursuant to the provisions of Chapter 16, Article 13 of the West Virginia Code of 1931, as amended, such bonds to be in an amount not to exceed \$261,500 for the purpose of financing a portion of the cost of acquisition and construction of certain additions, betterments and improvements to the existing sewerage system of the Town, together with all necessary appurtenances, and the costs of issuance and related costs.

Directed this 13<sup>th</sup> day of December, 2006.

SANITARY BOARD OF THE TOWN OF MASONTOWN

By: Lydia Main  
Its: Chairman

12.7.06  
561890.00003

# Masontown Sanitary Board Minutes

December 13, 2006

The meeting was called to order by the chairman, Lydia Main. The minutes of the previous meeting were read and approved. Members present were Preston Street and Conrad Pride.

Precision Pump put in a bid of \$1786.00 plus shipping to replace the pump at the sewer plant. West Electric's bid was \$2050.00. After discussion on repairs and tearing down the old pump a motion to buy the pump from West Electric was made by Conrad Pride and seconded by Lydia Main.

A motion to secure sewer revenue bonds from USDA was made by Conrad Pride and seconded by Preston Street. We will petition the Town Council of the Town of Masontown to proceed with this.

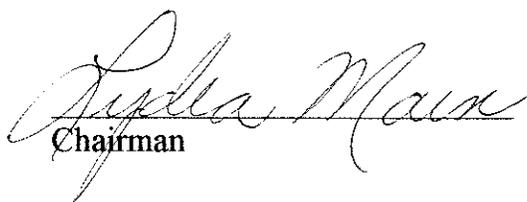
The Town of Reedsville is not paying their sewer bill. They owe us approximately \$14,000 at this time. In a few days it will be time to bill them again. We are working with the Public Service Commission to try to solve this problem. Without their payments we are overdrawing our accounts. We have filed for emergency relief. A hearing will probably be held in January.

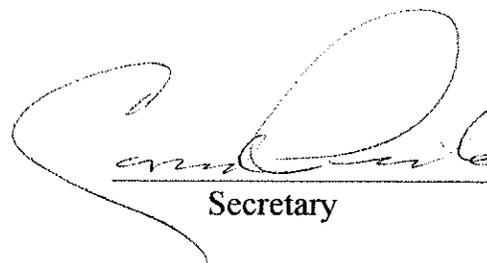
We will check into S&K billing to see what the difference is.

Motion to pay the bills made by Preston Street and seconded by Conrad Pride.

Guests at the meeting included Sharon McGinnis, Mac McGinnis, Joyce Johnson, Bob Johnson, Sandy Ennis, Mike Ennis, Eric Belldina, Sandy Pride, Margaret Stuck, Marvin Stuck, Tom Broadstock, Vinette Broadstock, Roxie Turner and Mick Thrasher.

Meeting was adjourned at 6:25 pm.

  
Chairman

  
Secretary



Date of Report: April 20, 2007

ISSUE: Town of Masontown, Sewer Revenue Bonds, Series 2007 A (United States Department of Agriculture)

ADDRESS: Post Office Box 340, Masontown, West Virginia 26542 COUNTY: Preston

PURPOSE OF ISSUE: New Money: X  
 Refunding: \_\_\_\_\_ REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: April 20, 2007 CLOSING DATE: April 20, 2007

ISSUE AMOUNT: \$ 261,500 RATE: 4.125 %

1ST DEBT SERVICE DUE: N/A 1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A PAYING AGENT: Issuer

**BOND**

COUNSEL: Stephoe & Johnson PLLC  
 Contact Person: John C. Stump, Esquire  
 Phone: (304) 353-8196

**UNDERWRITERS**

COUNSEL: \_\_\_\_\_  
 Contact Person: \_\_\_\_\_  
 Phone: \_\_\_\_\_

CLOSING BANK: WesBanco, Inc.  
 Contact Person: Ms. Sandy Murray  
 Phone: 304.864.6300

ESCROW TRUSTEE: \_\_\_\_\_  
 Contact Person: \_\_\_\_\_  
 Phone: \_\_\_\_\_

KNOWLEDGEABLE ISSUER CONTACT  
 Contact Person: Lydia Main  
 Position: Mayor  
 Phone: (304) 864-5555

OTHER: United States Department of Agriculture  
 Contact Person: Joe Crickenberger  
 Function: Rural Development Specialist  
 Phone: (304) 636-2158

DEPOSITS TO MBC AT CLOSE: \_\_\_\_\_  
 By: \_\_\_\_\_ Wire \_\_\_\_\_  
 \_\_\_\_\_ Check \_\_\_\_\_  
 \_\_\_\_\_ Other: \_\_\_\_\_  
 Accrued Interest: \$ \_\_\_\_\_  
 Capitalized Interest: \$ \_\_\_\_\_  
 Reserve Account: \$ \_\_\_\_\_  
 Other: \$ \_\_\_\_\_

REFUNDS & TRANSFERS BY MBC AT CLOSE  
 By: \_\_\_\_\_ Wire \_\_\_\_\_  
 \_\_\_\_\_ Check \_\_\_\_\_  
 \_\_\_\_\_ IGT \_\_\_\_\_  
 \_\_\_\_\_ To Escrow Trustee: \$ \_\_\_\_\_  
 \_\_\_\_\_ To Issuer \$ \_\_\_\_\_  
 \_\_\_\_\_ To Cons. Invest. Fund \$ \_\_\_\_\_  
 \_\_\_\_\_ To Other: \_\_\_\_\_ \$ \_\_\_\_\_

NOTES: Monthly debt service payments will be made by the Town directly to the National Finance Office. The Municipal Bond Commission will hold the Series 2007 A Bonds Reserve Account. Payments to the Series 2007 A Bonds Reserve Account will commence within 24 months of closing date.

**FOR MUNICIPAL BOND COMMISSION USE ONLY:**

DOCUMENTS REQUIRED: \_\_\_\_\_  
 TRANSFERS REQUIRED: \_\_\_\_\_

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.





United States Department of Agriculture  
Rural Development  
Elkins Area Office

April 3, 2007

Town of Masontown  
The Honorable Lydia Main, Mayor  
P.O. Box 340  
Masontown, WV 26542

COPY

Dear Mayor Main:

This letter is to confirm that the pre-closing meeting for the USDA Rural Utilities Service (RUS) subsequent loan for the Masontown Sewer Project will be held on April 18, 2007, at 11:00 a.m. in the Town Hall. The official loan closing date for this loan will be April 20, 2007. The project attorney should attend the pre-closing meeting and the project accountant should be available for consultation if needed.

Reference is made to the original Letter of Conditions for the Town's sewer project dated December 11, 1997. This letter has been amended as follows: Amendment No.1 dated June 24, 1999, Amendment No. 2 dated February 14, 2000, Amendment No. 3 dated July 27, 2001, and Amendment No. 4 dated June 21, 2006. All of the requirements of the original Letter of Conditions and the requirements of the amendments must be met and the loan must be closed in accordance with RUS Instruction 1780. Many of the aforementioned items have already been addressed. Those items remaining to be satisfied prior to loan closing include:

1. The Certification on the Loan Resolution will be completed at pre-closing.
2. The Town's attorney must furnish a Form RD 1927-10, Final Title Opinion, on all land(s) owned by the Town and used in connection with the water system. The opinion(s) should be dated April 20, 2007, and they should include legal descriptions (and plats if they are available).

---

Randolph Center Building • 1200 Harrison Avenue, Suite 150 • Elkins, West Virginia 26241  
Phone: (304) 636-2158 • Fax: (304) 636-5902 • TDD: (304) 284-4836 • Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."  
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,  
Washington, DC 20250-9410 or call (800)795-3272(voice) or (202) 720-6382 (TDD).

3. The Town's attorney must furnish a narrative opinion addressing all permits, certifications, and other items necessary to show that all legal requirements can be met and stating how they will be met prior to the closing date.
4. The Town's attorney will need to provide an opinion on the acquisition of rights-of-way pertaining to this project. Since there appear to be no new rights-of-way needed, the attorney may choose to address this opinion in the narrative letter described in Item 3 above, or the attorney may choose to use Form RD 442-22, Opinion of Counsel Relative to Rights-of-Way, showing no exceptions. This form should be dated April 20, 2007, and it should include an attached list of all of the rights-of-way needed for the project. The list should indicate which rights-of-way have been obtained and recorded.
5. Prior to the pre-closing meeting the Town must provide written evidence that adequate insurance coverage and position fidelity bond coverage is in place either through a private provider or through the State Board of Risk. The fidelity bond should cover all individuals who will have access to project funds. Refer to Item 11 of the original Letter of Conditions for the amounts of coverage required.
6. All applicable Public Service Commission certificates and/or approvals must be obtained prior to closing, and a copy submitted to RUS.
7. No later than the pre-closing meeting, the project accountant must provide a written certification that the accounts and records required by the bond ordinance have been established and are operational.
8. The Town must provide RUS with a current copy of their Workers' Compensation Certificate or other acceptable documentation.
9. Please be prepared to have a properly called meeting of the Town Council during the pre-closing meeting and have the Town's official seal on hand to use for authenticating documents. If it is not possible to have a Council meeting, notify this office immediately so we can attempt to arrange for Council approval of the pay requisition and any other necessary documents.
10. Nancy Taylor, our Rural Development Technician, is planning to complete a Civil Rights Compliance Review with the Town at the pre-closing. This is normally in the format of an informal interview to help her gather the information for the review.

Thank you for doing business with USDA Rural Development. If you have any questions, please contact our office at your earliest convenience.

Sincerely,

Joseph D. Crickenberger  
Rural Development Specialist

CC: State Director  
USDA- Rural Development

John C. Stump, Esquire  
Steptoe & Johnson, PLLC  
Bank One Center, Seventh Floor  
P.O. Box 1588  
Charleston, WV 25326-1588

David C. Glover, Esquire  
Smith, McMunn & Glover, PLLC  
516 West Main Street  
Clarksburg, WV 26301

Manning Frymier, P.E.  
Cerrone Associates  
401 Main Street  
Wheeling, WV 26003

Nancy E. Roth, C.P.A.  
Roth & White, A.C.  
202 Tunnelton Street  
Kingwood, WV 26537

Robbie Baylor  
Preston County E.D.A.  
330 East Main Street, Suite 100  
Kingwood, WV 26537



*Bond Counsel*

**United States Department of Agriculture  
Rural Development  
West Virginia State Office**

June 21, 2006

The Honorable Lydia Main, Mayor  
Town of Masontown  
P.O. Box 340  
Masontown, WV 26542

COPY

RE: Amendment No. 4 to the  
Letter of Conditions

Dear Mayor Main:

This letter, with Attachment No. 1 amends the Letter of Conditions dated December 11, 1997, and further establishes conditions which must be understood and met by the Town before further consideration may be given to your subsequent loan application. The original Letter of Conditions for the Town's sewer project was previously amended by Amendment No. 1 dated June 24, 1999, Amendment No. 2 dated February 14, 2000, and Amendment No. 3 dated July 27, 2001. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or the applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS subsequent loan in the amount of \$261,500. Previously committed project funding includes the following: an RUS loan in the amount of \$850,000, an RUS grant in the amount of \$1,000,000, a subsequent RUS grant in the amount of \$350,000, a subsequent RUS grant in the amount of \$396,000, and other funding in the amount of \$3,630,000, for a total project cost of \$6,487,500. The other funding was in the form of a Small Cities Block Grant, a WVIJDC grant and a connection fee from the Town of Reedsville. The conditions contained in this letter and all of the conditions contained in the original Letter of Conditions and the previous amendments to the Letter of Conditions must be satisfied prior to closing the RUS subsequent loan.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500  
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: <http://www.rurdev.usda.gov/wv>

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,  
Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Attachment No. 1 – Revised Project Construction Budget and Project Closeout Budget. (All Copies)

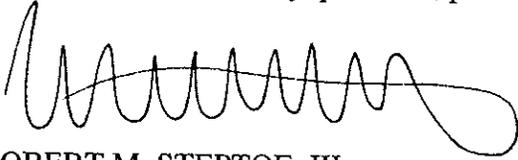
The conditions referred to above are as follows:

1. Loan Repayment – The subsequent loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. The remaining 456 months will be equal amortized monthly installments. For planning purposes, use a 4.375% interest rate and monthly amortization factor of 0.00451 which provides for a monthly payment of \$1,180.00 on the subsequent loan. (The monthly payment on the initial \$850,000 loan is \$4,106.00 for a total monthly payment of \$5,286.00.)
2. Public Service Commission Approval – The Town must obtain approval from the Public Service Commission (PSC) for the proposed financing changes and for the proposed new user rates. A copy of the PSC approval documents and a copy of the “Rule 42” Exhibit approved by the WV Public Service Commission must be submitted to RUS for review and approval.
3. User Rate Analysis – Along with the Rule 42 Exhibit, you will be required to submit a copy of the rate analysis to this office which supports repayment of the subsequent RUS loan. The rate analysis will be required to show the number of users, their average consumption based on a twelve month consecutive average, and rate structure to support the necessary revenue to meet the requirements for operation and maintenance, debt service coverage, and reserves.
4. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form RD 1940-1 – “Request for Obligation of Funds”  
RUS Bulletin 1780-27 – “Loan Resolution (Public Bodies)”  
Form RD 1942-46, “Letter of Intent to Meet Conditions”

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it may be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read 'Robert M. Steptoe, III'. The signature is fluid and cursive, with a large initial 'R' and a long, sweeping tail that loops back under the main body of the signature.

ROBERT M. STEPTOE, III  
State Director

Enclosures

cc: Rural Development Specialist  
Elkins, WV

Roth & White, A.C.  
202 Tunnelton Street  
Kingwood, WV 26537

David C. Glover  
Smith, McMunn, & Glover, PLLC  
516 West Main Street  
Clarksburg, WV 26301

Vince Collins  
Steptoe & Johnson, PLLC  
P.O. Box 1616  
Morgantown, WV 26507-1616

Robbie Baylor  
Preston County E.D.A.  
330 East Main Street, Suite 100  
Kingwood, WV 26537

Attachment No. 1 to Amendment No. 4 to the Letter of Conditions  
 For: Town of Masontown Sewer Project  
 Date: June 21, 2006

**Revised Project Construction Budget  
 Town of Masontown Sewer Project**

<u>PROJECT COST</u>	<u>RUS LOAN</u>	<u>RUS SUBSEQUENT LOAN</u>	<u>RUS GRANTS</u>	<u>SCBG</u>	<u>WV/JDC LOAN</u>	<u>WV/JDC GRANT</u>	<u>REEDSVILLE CONNECTION FEE</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 580,920.09	\$ 194,869.45	\$ 1,288,100	\$ 988,000	\$ 1,132,200	\$ 393,600	\$ 380,000	\$ 4,957,909.54
CONSTRUCTION CONTINGENCY	\$ 61,000	\$ -	\$ 135,500	\$ -	\$ 119,100	\$ 41,400	\$ -	\$ 357,000.00
LAND & RIGHTS	\$ 9,400	\$ -	\$ 20,900	\$ -	\$ 18,300	\$ 6,400	\$ -	\$ 55,000.00
LEGAL FEES	\$ 9,400	\$ 33,000	\$ 20,900	\$ -	\$ 18,300	\$ 6,400	\$ -	\$ 88,000.00
BOND COUNSEL	\$ -	\$ 10,500	\$ -	\$ 25,000	\$ 4,500	\$ -	\$ -	\$ 40,000.00
ACCOUNTING	\$ 1,000	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000.00
EQUIPMENT	\$ -	\$ 8,300	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 58,300.00
ENGINEERING FEES	\$ 58,500	\$ -	\$ 129,900	\$ 200,000	\$ 114,300	\$ 39,700	\$ -	\$ 542,400.00
Basic - \$250,000								
Insp. - \$205,000								
Special - \$87,400								
INTEREST	\$ 80,000	\$ 11,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,800.00
ADMINISTRATION	\$ -	\$ -	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ 17,000.00
LMI ASSESSMENT	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000.00
PERMITS	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000.00
START UP & TRAINING	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000.00
SOILS TESTING, ARCH. SRVY	\$ 4,800	\$ -	\$ 1,800	\$ -	\$ 4,000	\$ 1,400	\$ -	\$ 12,000.00
WDA PAYMENT	\$ 32,255	\$ -	\$ -	\$ -	\$ 57,000	\$ -	\$ -	\$ 89,255.00
PROJECT CONTINGENCY	\$ 12,724.91	\$ 10.55	\$ 38,900	\$ -	\$ 32,300	\$ 10,900	\$ -	\$ 94,835.46
<b>TOTAL</b>	<b>\$ 850,000.00</b>	<b>\$ 261,500.00</b>	<b>\$ 1,746,000</b>	<b>\$ 1,250,000</b>	<b>\$ 1,500,000</b>	<b>\$ 500,000</b>	<b>\$ 380,000</b>	<b>\$ 6,487,500.00</b>

Attachment No.1 to Amendment No. 4 to the Letter of Conditions  
 For: Town of Masontown Sewer Project  
 Date: June 21, 2006

**Project Closeout Budget**  
**Town of Masontown Sewer - Subsequent Loan**

<b><u>PROJECT COST</u></b>	<b><u>RUS Loan</u></b>	<b><u>Remaining IJDC Grant</u></b>	<b><u>Remaining Bank Balance</u></b>	<b><u>TOTAL</u></b>
CONSTRUCTION	\$ 194,889.45	\$ 1,075.80	\$ 24.20	\$ 195,989.45
LEGAL FEES (Fletcher)	\$ 15,000.00			\$ 15,000.00
LEGAL FEES (Glover)	\$ 18,000.00			\$ 18,000.00
BOND COUNSEL	\$ 10,500.00			\$ 10,500.00
ACCOUNTING	\$ 3,000.00			\$ 3,000.00
INTEREST (1 yr. @4.5%)	\$ 11,800.00			\$ 11,800.00
EQUIPMENT	\$ 8,300.00			\$ 8,300.00
PROJECT CONTINGENCY	\$ 10.55			\$ 10.55
<b>TOTAL</b>	<b>\$ 261,500.00</b>	<b>\$ 1,075.80</b>	<b>\$ 24.20</b>	<b>\$ 262,600.00</b>



United States  
Department of  
Agriculture

Rural  
Development

Federal Building  
75 High Street, Room 320  
Morgantown, WV 26505-7500  
Phone (304) 284-4888  
FAX (304)284-4892  
TTY/TDD (304) 284-4836

BOND COUNSEL

July 27, 2001

The Honorable Lydia Main  
Mayor, Town of Masontown  
P.O. Box 340  
Masontown, WV 26542

COPY

RE: Amendment No. 3 to Letter of Conditions

Dear Mayor Main:

This letter, with Attachment No. 1 amends the letter of conditions dated December 11, 1997 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of \$850,000, an initial RUS grant in the amount of \$1,000,000, a subsequent RUS grant in the amount of \$350,000, a subsequent RUS grant in the amount of \$396,000, and other funding in the amount of \$3,630,000, for a total project cost of \$6,226,000. The other funding is planned in the form of a loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) in the amount of \$1,500,000, a grant from the WVIJDC in the amount of \$500,000, a grant from the HUD-Small Cities Block Grant program in the amount of \$1,250,000 and a tap fee from the Town of Reedsville in the amount of \$380,000.

Subject to the requirements noted herein, all of the conditions of the December 11, 1997 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

The conditions referred to above are as follows:

1. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
2. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"  
 Form RD 442-7 - "Initial Operating Budget"  
 Form RD 1940-1 - "Request for Obligation of Funds"  
 Form RD 1942-46 - "Letter of Intent to Meet Conditions"

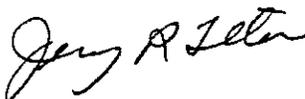
Attached is a copy of RUS Bulletin 1780-12, "Water or Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Please complete and return the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Town still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,

  
 JENNY N. PHILLIPS  
 State Director

Enclosures

cc: See Page 3

cc: L. Craig Burns, Rural Development Manager  
ATTN: Joe Crickenberger, Rural Development Specialist  
Elkins, WV

Sheila Kae Williams  
Attorney at Law  
Kingwood, WV

Steptoe and Johnson  
Attorneys at Law  
Clarksburg, WV

Cerrone and Associates  
Consulting Engineers  
Wheeling, WV

Katy Mallory, P.E.  
Executive Secretary  
West Virginia Infrastructure and Jobs  
Development Council  
Charleston, WV

Attachment No. 1 to Amended Letter of Conditions  
 For: Town of Masontown  
 Date: July 27, 2001

PROJECT CONSTRUCTION BUDGET  
 TOWN of MASON TOWN

PROJECT COST	TOWN FEE	WVIJDC LOAN	WVIJDC GRANT	SCBG	SUB.RUS GRANT	SUB.RUS GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	\$380,000	\$1,132,200	\$393,800	\$988,000	\$225,100	\$275,700	\$787,300	\$580,920	\$4,763,020
CONST. CONTINGENCY 7.5%		\$119,100	\$41,400		\$23,700	\$29,000	\$82,800	\$61,000	\$357,000
LAND & RIGHTS		\$18,300	\$6,400		\$3,600	\$4,500	\$12,800	\$9,400	\$55,000
LEGAL FEES		\$18,300	\$6,400		\$3,600	\$4,500	\$12,800	\$9,400	\$55,000
ACCOUNTING								\$1,000	\$1,000
ADMINISTRATION (SCBG)				\$17,000					\$17,000
BOND COUNSEL		\$4,500		\$25,000					\$29,500
ENGINEERING FEES									
Basic Fee - \$250,000		\$56,400	\$19,600	\$81,000	\$11,200	\$13,700	\$39,200	\$28,900	\$250,000
Inspection - \$205,000		\$43,400	\$15,100	\$75,000	\$8,600	\$10,600	\$30,100	\$22,200	\$205,000
Special Services		\$14,500	\$5,000	\$44,000	\$2,900	\$3,500	\$10,100	\$7,400	\$87,400
Stakeout - 30,000									
O & M Manual \$8,500									
Property Survey - \$20,000									
ROW Neg. - \$18,000									
Warranty - \$1,500									
ROW Changes - \$9,400									
LMI ASSESSMENT				\$10,000					\$10,000
PERMITS				\$10,000					\$10,000
INTEREST								\$80,000	\$80,000
STARTUP & TRAINING					\$60,000				\$60,000
SOILS, TESTING, ARCH. SVY.		\$4,000	\$1,400			\$800	\$1,000	\$4,800	\$12,000
VEHICLES & EQUIPMENT									\$50,000
WDA REPAYMENT		\$57,000						\$32,255	\$89,255
PROJECT CONTG. 2%		\$32,300	\$10,900					12,725	\$94,825
<b>TOTAL</b>	<b>\$380,000</b>	<b>\$1,500,000</b>	<b>\$500,000</b>	<b>\$1,250,000</b>	<b>\$396,000</b>	<b>\$350,000</b>	<b>\$1,000,000</b>	<b>\$850,000</b>	<b>\$6,226,000</b>

Rates

Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$ 7.00 per M gals.
Next	4,000 gals. @	\$ 5.60 per M gals.
Next	8,000 gals. @	\$ 4.71 per M gals.
Next	10,000 gals. @	\$ 4.13 per M gals.
Next	25,000 gals. @	\$ 3.38 per M gals.
Over	50,000 gals. @	\$ 2.68 per M gals.

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4" meter -	\$ 21.00 per month
3/4" meter -	\$ 31.50 per month
1" meter -	\$ 52.50 per month
1 1/2" meter -	\$ 105.00 per month
2" meter -	\$ 168.00 per month
3" meter -	\$ 315.00 per month
4" meter -	\$ 525.00 per month
6" meter -	\$ 1,050.00 per month
8" meter -	\$ 1,680.00 per month

Minimum Monthly Bill \$21.00 for 3,000 gallons

### Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

### Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge - \$20.00

### Use and Income Analysis

254 users @	3,000 gallons @	\$	21.00 per user =	\$ 5,334.00 monthly
75 users @	3,500 gallons @	\$	23.80 per user =	\$ 1,785.00 monthly
59 users @	4,500 gallons @	\$	29.40 per user =	\$ 1,734.60 monthly
51 users @	5,500 gallons @	\$	35.00 per user =	\$ 1,785.00 monthly
37 users @	6,500 gallons @	\$	40.60 per user =	\$ 1,502.20 monthly
29 users @	7,500 gallons @	\$	45.76 per user =	\$ 1,327.04 monthly
17 users @	8,500 gallons @	\$	50.47 per user =	\$ 857.99 monthly
6 users @	9,500 gallons @	\$	55.18 per user =	\$ 331.08 monthly
7 users @	10,500 gallons @	\$	59.89 per user =	\$ 419.23 monthly
2 users @	11,500 gallons @	\$	64.60 per user =	\$ 129.20 monthly
2 users @	12,500 gallons @	\$	69.31 per user =	\$ 138.62 monthly
2 users @	13,500 gallons @	\$	74.02 per user =	\$ 148.04 monthly
1 users @	20,500 gallons @	\$	103.80 per user =	\$ 103.80 monthly
1 users @	24,500 gallons @	\$	120.32 per user =	\$ 120.32 monthly
1 users @	39,500 gallons @	\$	171.39 per user =	\$ 171.39 monthly
1 users @	40,500 gallons @	\$	174.77 per user =	\$ 174.77 monthly
1 users @	59,500 gallons @	\$	232.34 per user =	\$ 232.34 monthly
1 bulk @	1,027,000 gallons @	\$	1,561.04 per user =	\$ 1,561.04 monthly

547 Total Users

\$17,855.66 Monthly Revenue x 12 = \$214,267.92 Annual Revenue

Budget

Income		\$214,267.92
Expenses		
O & M	\$111,000	
*Debt Service	88,746	
**Debt Service Reserve	8,386	
***Depreciation Reserve	2,464	
		\$210,596.00
Balance and Depreciation		\$ 3,671.92

Operating and Maintenance Expenses

Salaries and Taxes	\$ 57,953
Transportation	5,500
Utilities	12,000
Maintenance and Chemicals	10,000
Insurance and Professional	11,700
Sludge and Misc.	13,847

TOTAL	\$111,000
-------	-----------

*Existing Debt Service -	\$ -0-
Proposed Debt Service -	88,746

Total Debt Service -	\$88,746
----------------------	----------

** Existing Debt Service Reserve	\$ -0-
Proposed Debt Service Reserve	8,386

Total Debt Service Reserve	\$8,386
----------------------------	---------

*** Existing Depreciation Reserve	\$ -0-
Proposed Depreciation Reserve	2,464

Total Depreciation Reserve	\$2,464
----------------------------	---------

Federal Building, Room 320  
75 High Street  
Morgantown, WV 26505  
Telephone: (304) 284-4888  
Fax: (304) 284-4892  
TTY/TDD: (304) 284-5941

February 14, 2000

The Honorable Joe Blaney, Jr.  
Mayor, Town of Masontown  
P. O. Box 340  
Masontown, WV 26542

RE: Amendment No. 2 to  
Letter of Conditions

Dear Mayor Blaney:

This letter, with Attachment 1 amends the letter of conditions dated December 11, 1997 and Amendment No.1 dated June 24, 1999, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of \$850,000, an initial RUS grant in the amount of \$1,000,000, a subsequent RUS grant in the amount of \$350,000, and other funding in the amount of \$3,400,000, for a total project cost of \$5,600,000. The other funding is planned in the form of a loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) in the amount of \$1,500,000, a grant from WVIJDC in the amount of \$500,000, a HUD Small Cities Block Grant in the amount of \$1,250,000 and a tap fee from the Town of Reedsville in the amount of \$150,000. Subject to the requirements noted herein, all of the conditions of the prior letters of conditions remain in effect and must be satisfied prior to loan and grant closing.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

The conditions referred to above are as follows:

1. At a properly called meeting, you must adopt and properly execute the following Forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

Form RD 1942-46 - "Letter of Intent to Meet Conditions"

2. Users - This conditional commitment is based upon you providing evidence that you will have at least 546 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 287 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the Town's existing sewer system, which is to be totally replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Sewer Users Agreement (RUS Bulletin 1780-9) will be used. Each user signing an agreement must make a user contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the Town should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using

the sewer service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

The RUS loan and grant commitment is based on the Town providing service to 1 large volume user. Evidence must be provided to show that user will actually be connected to the system when it is completed and that the monthly water usage projected for each by the engineer is reasonable. If the user refuses the offered service, the Town must obtain enough additional revenue (i.e., increase in user rates, sign up of an adequate number of other users, reduction in project scope to reduce debt service and O&M, etc.) to make up the projected income that would be lost by not having those users on the system.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,

BOBBY LEWIS  
State Director

Enclosures

cc: Administrator, RUS  
Attn: Water and Environmental Programs  
Washington, DC

Rural Development Specialist  
Elkins, WV

Roth & White  
Certified Public Account  
Kingwood, WV

Sheila Kay Williams  
Attorney at Law  
Kingwood, WV

Steptoe and Johnson  
Attorney at Law  
Clarksburg, WV

Cerrone & Associates, Inc.  
Consulting Engineers  
Wheeling, WV

**Project Construction Budget**

Project Cost	Tap Fee	SCB Grant	WVUDC Grant	WVUDC Loan	RUS Sub. Grant	RUS Grant	RUS Loan	Total
Instruction	150,000	\$1,233,000	\$304,000	\$1,218,000	\$195,000	\$609,000	\$636,000	\$4,345,000
Instruction Contg.			112,000		25,000	228,000		365,000
and Rights			3,000	13,000	25,000	7,000	7,000	55,000
Legal Fees			2,000	9,000	10,000	4,000	5,000	30,000
Engineering Fees			47,000	196,000	85,000	90,260	86,740	505,000
Basic \$250,000								
ISP: 205,000								
Spec. 50,000								
and Counsel			2,000	7,000		3,000	3,000	15,000
Interest							80,000	80,000
Administration		17,000						17,000
Project Contg.			30,000		10,000	58,740		98,740
DA Repayment				57,000			32,260	89,260
<b>TOTALS</b>	<u>\$150,000</u>	<u>\$1,250,000</u>	<u>\$500,000</u>	<u>\$1,500,000</u>	<u>\$350,000</u>	<u>\$1,000,000</u>	<u>\$850,000</u>	<u>\$5,600,000</u>

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$7.00 per M gals.
Next	4,000 gals. @	\$5.60 per M gals.
Next	8,000 gals. @	\$4.71 per M gals.
Next	10,000 gals. @	\$4.13 per M gals.
Next	25,000 gals. @	\$3.38 per M gals.
Over	50,000 gals. @	\$ 2.68 per M gals.

Bulk User - 1,000 gals. @ 1.52 per M gals.

Minimum Charge - No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4" meter -	\$21.00 per month
3/4" meter -	\$31.50 per month
1" meter -	\$52.50 per month
1 1/2" meter -	\$105.00 per month
2" meter -	\$168.00 per month
3" meter -	\$315.00 per month
4" meter -	\$525.00 per month
6" meter -	\$1,050.00 per month
8" meter -	\$1,680.00 per month

Minimum Monthly Bill - \$21.00 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.000

Use and Income Analysis

254	users @	3,000	gallons @	\$21.00	per user =	\$5,334.00	monthly
75	users @	3,500	gallons @	\$23.80	per user =	\$1,785.00	monthly
59	users @	4,500	gallons @	\$29.40	per user =	\$1,734.60	monthly
51	users @	5,500	gallons @	\$35.00	per user =	\$1,785.00	monthly
37	users @	6,500	gallons @	\$40.60	per user =	\$1,502.20	monthly
29	users @	7,500	gallons @	\$45.76	per user =	\$1,327.04	monthly
17	users @	8,500	gallons @	\$50.47	per user =	\$857.99	monthly
6	users @	9,500	gallons @	\$55.18	per user =	\$331.08	monthly
7	users @	10,500	gallons @	\$59.89	per user =	\$419.23	monthly
2	users @	11,500	gallons @	\$64.60	per user =	\$129.20	monthly
2	users @	12,500	gallons @	\$69.31	per user =	\$138.62	monthly
2	users @	13,500	gallons @	\$74.02	per user =	\$148.04	monthly
1	users @	20,500	gallons @	\$103.80	per user =	\$103.80	monthly
1	users @	24,500	gallons @	\$120.32	per user =	\$120.32	monthly
1	users @	39,500	gallons @	\$171.39	per user =	\$171.39	monthly
1	users @	40,500	gallons @	\$174.77	per user =	\$174.77	monthly
1	users @	59,500	gallons @	\$232.34	per user =	\$232.34	monthly
1	bulk @	1,027,000	gallons @	\$1,561.04	per user =	\$1,561.04	monthly

\$43 Total Users

Monthly Revenue x 12 = \$214,267.92 Annual Revenue

Budget

Income		\$214,267.92
Expenses		
O & M	\$111,000	
*Debt Service	88,746	
**Debt Service Reserve	8,386	
***Depreciation Reserve	2,464	
	<hr/>	\$210,596.00
Balance and Depreciation		<hr/> \$ 3,671.92

Operating and Maintenance Expenses

Salaries and Taxes	\$57,953
Transportation	5,500
Utilities	12,000
Maintenance and Chemicals	10,000
Insurance and Professional	11,700
Sludge and Misc.	13,847
TOTAL	<hr/> \$111,000

*Existing Debt Service -	\$ -0-
Proposed Debt Service -	88,746
Total Debt Service -	<hr/> \$88,746

** Existing Debt Service Reserve -	\$ -0-
Proposed Debt Service Reserve -	8,386
Total Debt Service Reserve -	<hr/> \$8,386

*** Existing Depreciation Reserve -	\$ -0-
Proposed Depreciation Reserve -	2,464
Total Depreciation Reserve -	<hr/> \$2,464



United States  
Department of  
Agriculture

Rural Development

*Bond Counsel*

Federal Building, Room 320  
75 High Street  
Morgantown, WV 26505  
Telephone: (304) 291-4796  
Fax: (304) 291-4159  
TTY/TDD: (304) 284-5941

June 24, 1999

**COPY**

The Honorable Lydia Main  
Mayor, Town of Masontown  
P.O. Box 340  
Masontown, WV 26542

RE: Amendment No. 1 to  
Letter of Conditions

Dear Mayor Main:

This letter, with Attachment No. 1 amends the letter of conditions dated December 11, 1997 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of \$850,000, an initial RUS grant in the amount of \$1,000,000, [a subsequent RUS grant in the amount of \$350,000, and other funding in the amount of \$3,400,000 for a total project cost of \$5,600,000. The other funding is planned in the form of a loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) in the amount of \$1,500,000, a grant from the WVIJDC in the amount of \$500,000, a HUD Small Cities Block Grant in the amount of \$1,250,000, and a Tap Fee from the Town of Reedsville in the amount of \$150,000.

Subject to the requirements noted herein, all of the conditions of the December 11, 1997 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

The conditions referred to above are as follows:

1. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
2. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 -	"Water or Waste System Grant Agreement"
Form RD 442-7 -	"Initial Operating Budget"
Form RD 1940-1 -	"Request for Obligation of Funds"
Form RD 1942-46 -	"Letter of Intent to Meet Conditions"

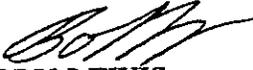
Attached is a copy of RUS Bulletin 1780-12, "Water or Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Please complete and return the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Town still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,



BOBBY LEWIS  
State Director

Enclosures

cc: Administrator, RUS  
ATTN: Water and Environmental Programs  
Washington, DC

RUS Rural Development Specialist  
Elkins, WV

Sheila Kae Williams  
Attorney at Law  
Kingwood, WV

Steptoe and Johnson  
Attorneys at Law  
Clarksburg, WV

Cerrone and Associates, Inc.  
Consulting Engineers  
Wheeling, WV

Susan J. Riggs  
Executive Secretary  
West Virginia Infrastructure and  
Jobs Development Council  
Charleston, WV

Project Construction Budget

Project Cost	Tap Fee	SCB Grant	WVIJDC Grant	WVIJDC Loan	RUS Sub. Grant	RUS Grant	RUS Loan	RUS Total
Construction	150,000	\$1,233,000	\$304,000	\$1,218,000	\$195,000	\$609,000	\$636,000	\$4,345,000
Construction Contg.			112,000		25,000	228,000		365,000
Land and Rights			3,000	13,000	25,000	7,000	7,000	55,000
Legal Fees			2,000	9,000	10,000	4,000	5,000	30,000
Engineering Fees			47,000	196,000	85,000	90,260	86,740	505,000
Professional Fee \$250,000								
App. 205,000								
Rec. 50,000								
Legal Counsel			2,000	7,000		3,000	3,000	15,000
Rest		17,000					80,000	80,000
Administration			30,000		10,000	58,740		17,000
Project Contg.				57,000			32,260	98,740
PA Repayment								89,260
<b>TOTALS</b>	<u>\$150,000</u>	<u>\$1,250,000</u>	<u>\$500,000</u>	<u>\$1,500,000</u>	<u>\$350,000</u>	<u>\$1,000,000</u>	<u>\$850,000</u>	<u>\$5,600,000</u>

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$7.00 per M gals.
Next	4,000 gals. @	\$5.60 per M gals.
Next	8,000 gals. @	\$4.71 per M gals.
Next	10,000 gals. @	\$4.13 per M gals.
Next	25,000 gals. @	\$3.38 per M gals.
Over	50,000 gals. @	\$ 2.68 per M gals.

Bulk User - 1,000 gals. @ 1.52 per M gals.

Minimum Charge - No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4" meter -	\$21.00 per month
3/4" meter -	\$31.50 per month
1" meter -	\$52.50 per month
1 1/2" meter -	\$105.00 per month
2" meter -	\$168.00 per month
3" meter -	\$315.00 per month
4" meter -	\$525.00 per month
6" meter -	\$1,050.00 per month
8" meter -	\$1,680.00 per month

Minimum Monthly Bill - \$21.00 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.000

Use and Income Analysis

254	users @	3,000	gallons @	\$21.00	per user =	\$5,334.00	monthly
75	users @	3,500	gallons @	\$23.80	per user =	\$1,785.00	monthly
59	users @	4,500	gallons @	\$29.40	per user =	\$1,734.60	monthly
51	users @	5,500	gallons @	\$35.00	per user =	\$1,785.00	monthly
37	users @	6,500	gallons @	\$40.60	per user =	\$1,502.20	monthly
29	users @	7,500	gallons @	\$45.76	per user =	\$1,327.04	monthly
17	users @	8,500	gallons @	\$50.47	per user =	\$857.99	monthly
6	users @	9,500	gallons @	\$55.18	per user =	\$331.08	monthly
7	users @	10,500	gallons @	\$59.89	per user =	\$419.23	monthly
2	users @	11,500	gallons @	\$64.60	per user =	\$129.20	monthly
2	users @	12,500	gallons @	\$69.31	per user =	\$138.62	monthly
2	users @	13,500	gallons @	\$74.02	per user =	\$148.04	monthly
1	users @	20,500	gallons @	\$103.80	per user =	\$103.80	monthly
1	users @	24,500	gallons @	\$120.32	per user =	\$120.32	monthly
1	users @	39,500	gallons @	\$171.39	per user =	\$171.39	monthly
1	users @	40,500	gallons @	\$174.77	per user =	\$174.77	monthly
1	users @	59,500	gallons @	\$232.34	per user =	\$232.34	monthly
1	bulk @	1,027,000	gallons @	\$1,561.04	per user =	\$1,561.04	monthly

547 Total Users

\$17,855.66 Monthly Revenue x 12 = \$214,267.92 Annual Revenue

Budget

Income \$214,267.92

Expenses

O & M	\$111,000	
*Debt Service	88,746	
**Debt Service Reserve	8,386	
***Depreciation Reserve	2,464	
		\$210,596.00
Balance and Depreciation		\$ 3,671.92

Operating and Maintenance Expenses

Salaries and Taxes	\$57,953	
Transportation	5,500	
Utilities	12,000	
Maintenance and Chemicals	10,000	
Insurance and Professional	11,700	
Sludge and Misc.	13,847	
TOTAL	\$111,000	

*Existing Debt Service -	\$ -0-	
Proposed Debt Service -	88,746	
Total Debt Service -	\$88,746	

** Existing Debt Service Reserve -	\$ -0-	
Proposed Debt Service Reserve -	8,386	
Total Debt Service Reserve -	\$8,386	

*** Existing Depreciation Reserve -	\$ -0-	
Proposed Depreciation Reserve -	2,464	
Total Depreciation Reserve -	\$2,646	



United States  
Department of  
Agriculture

Rural Development

RURAL  
UTILITIES  
SERVICE

*Bond Counsel*

Federal Building, Room 320  
75 High Street  
Morgantown, WV 26505  
Tel: (304) 291-4796  
Fax: (304) 291-4159

December 11, 1997

The Honorable Lydia Main  
Mayor, Town of Masontown  
P.O. Box 340  
Masontown, WV 26542

Dear Mayor Main:

This letter, with Attachments 1 through 11 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by the Rural Utilities Service (RUS) by written amendment to this letter. Any changes not approved by RUS shall be cause for discontinuing processing of the application.

The Rural Utilities Service Water and Waste Disposal Loan and Grant Program is administered by USDA - Rural Development, formerly known as the Farmers Home Administration.

This letter is not to be considered as loan and grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan in the amount of \$850,000, an RUS grant in the amount of \$1,000,000, and other funding in the amount of \$3,250,000, for a total project cost of \$5,100,000. The other funding is planned in the form of a \$1,500,000 loan from the West Virginia Infrastructure and Jobs Development Council (WVIJDC), a \$500,000 grant from the WVIJDC, and a \$1,250,000 grant from HUD's Small Cities Block grant program.

If the loan is made, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for the Town of Masontown (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - Agreement (RUS Bulletin 1780-13) (Engineer Copy)
- Attachment No. 7 - Supplemental General Conditions (RUS Bulletin 1780-14) (Engineer Copy)
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
- Attachment No. 9 - Town of Masontown Sewer Users Agreement (Applicant and Attorney Copies)
- Attachment No. 10 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 11 - Various other RD Forms as identified on Attachment No. 2

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.875% interest rate and a monthly amortization factor of .00483, which provides for a monthly payment of \$4,106.00. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account in an amount equal to at least 1/10th of your monthly debt service payment.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of first priority, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond ordinance which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and Form RD 1942-47 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 546 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 216 signed users agreements and a certification from you that identifies and attests to the number of users actually connected to and using the Town's existing sewer system, which is to be totally replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Sewer Users Agreement will be used. Each user signing an agreement must make a user's contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user's agreement or a declination statement, the individual making the contact for the Town should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service.

Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the sewer service of the existing system (paying monthly bills), (2) signed users agreements, (3) signed service declination statements, (4) records evidencing users contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

The RUS loan and grant commitment is based on the Town providing service to five (5) large volume users. Evidence must be provided to show those users will actually be connected to the system when it is completed and that the monthly water usage projected for each by the engineer is reasonable. In the event any of those users refuse the offered service, the Town must obtain enough additional revenue (i.e., increase in user rates, sign up of an adequate number of other users, reduction

in project scope to reduce debt service and O&M , etc.) to make up the projected income that would be lost by not having those users on the system.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of ordinance to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.
5. Engineering Services - It will be necessary for you to obtain the services of an engineer. For your convenience, Form RD 1942-19, "Agreement for Engineering Services," or EJCDC No. 1910-1, "Standard Form of Agreement between Owner and Engineer for Professional Services" may be used to obtain the services of an engineer and are enclosed for your use.
6. Legal Services - You must obtain the services of a local attorney. For your convenience RUS Bulletin 1780-7, "Legal Services Agreement" is enclosed for your use.
7. Accounting Services - You must obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
  - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
  - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond ordinance have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3 ) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your Town. The attached booklet, "Government Auditing Standards (Revised 1994)" (Attachment No. 8 ) outlines audit requirements. You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:

- a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the Town already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
- c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
- d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions.
- e. On the day of loan closing, the Town's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the Town has already acquired real property(s) (land or facilities), the Town's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

- West Virginia Department of Highways
- Railroads
- State Department of Health
- Department of Environmental Protection
- Public Land Corporation

10. Public Service Commission Approvals and Rates - You must determine that the Certificate of Convenience and Necessity which you now have from the Public Service Commission of West Virginia is adequate to cover the entire area to be served by the proposed system. If it is not adequate, a new certificate must be obtained and a copy provided for RUS. If it is determined the Town's present certificate is adequate, the Town must properly develop, adopt, and promulgate the required rates in accordance with the applicable provisions of Article I, Chapter 24 of the Code of West Virginia, as amended, and to the satisfaction of your bond counsel. The rate ordinance as adopted must include, as a minimum, all the rate related items (everything except project costs section, the use analysis section, and the operation and maintenance expense breakdown section) contained in the attached project construction budget (Attachment No. 1). The draft rate ordinance must be provided for RUS review and concurrence prior to its adoption.

11. Insurance and Bonding Requirements -

Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

- a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
- b. Workers' Compensation - In accordance with appropriate State laws.
- c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).
- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
  - (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
  - (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or

mudslide prone areas will not receive financial assistance where flood insurance is not available.

- e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents, Final Plans and Specifications -

- a. The contract documents should consist of the following:
  - (1) "Agreement" (RUS Bulletin 1780-13) and Attachments 1 through 9 (Attachment No. 6) or other agreement approved by RUS.
  - (2) "Supplemental General Conditions" (RUS Bulletin 1780-14). One copy of this item is attached hereto (Attachment No. 7). Additional copies must be reproduced by the engineer.
- b. The contract documents must provide, as a minimum, the following insurance:
  - (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the Town and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
  - (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
  - (3) Workers' Compensation - In accordance with applicable State laws.
- c. The contract documents and final plans and specifications must be submitted to RUS for approval.
- d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of

the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review.

14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your Town, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The Town must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.
15. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the other grants. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating the funds are available for expenditure.
16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form RD 442-7 - "Operating Budget"

Form RD 1940-1 - "Request for Obligation of Funds"

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"

Form RD 1942-47 - "Loan Resolution (Public Bodies)"

Form RD 400-1 - "Equal Opportunity Agreement"

Form RD 400-4 - "Assurance Agreement"

Form AD 1047 - "Certification Regarding Debarment - Primary"

Form AD 1049 - "Certification Regarding Drug-Free Workplace"

Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"

FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"

Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)

17. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

18. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of water and waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

Please complete and return the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,



BOBBY LEWIS  
State Director  
Rural Development

Enclosures

cc: Administrator, RUS  
ATTN: Water and  
Environmental Programs  
Washington, DC

Rural Development Specialist  
Elkins, WV

Accountant

Attorney

Bond Counsel

Cerrone and Associates, Inc.  
Consulting Engineers  
Wheeling, WV

Attachment No. 1 to Letter of Conditions

Project Construction Budget

<u>Project Costs</u>	<u>SCB Grant</u>	<u>WVIIDC Grant</u>	<u>WVIIDC Loan</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Administration	\$ 17,000					\$ 17,000
Construction	1,233,000	\$304,000	\$1,218,000	\$609,000	\$636,000	4,000,000
Construction Contg.		112,000		228,000		340,000
Land and Rights		3,000	13,000	7,000	7,000	30,000
Legal Fees		2,000	9,000	4,000	5,000	20,000
Engineering Fees		47,000	196,000	90,260	86,740	420,000
Basic \$200,000						
Insp. 180,000						
Spec. 40,000						
Bond Counsel Fees		2,000		3,000	3,000	15,000
Interest					80,000	80,000
Project Contg.		30,000		58,740		88,740
WDA Repayment			57,000		32,260	89,260
<b>TOTALS</b>	<u>\$1,250,000</u>	<u>\$500,000</u>	<u>\$1,500,000</u>	<u>\$1,000,000</u>	<u>\$850,000</u>	<u>\$5,100,000</u>

Rates

Available for general domestic,  
commercial and industrial service.

Minimum Charge

No bill shall be rendered for less than the  
following amounts according to the size of  
meter installed.

First 3,000 gals. @ \$21.00 per M gals.  
Next 4,000 gals. @ \$ 5.60 per M gals.  
Next 8,000 gals. @ \$ 4.71 per M gals.  
Next 10,000 gals. @ \$ 4.13 per M gals.  
Next 25,000 gals. @ \$ 3.38 per M gals.  
Over 50,000 gals. @ \$ 2.68 per M gals.

5/8" x 3/4" meter - \$ 21.00 per month  
3/4" meter - \$ 31.50 per month  
1" meter - \$ 52.50 per month  
1 1/2" meter - \$ 105.00 per month  
2" meter - \$ 168.00 per month  
3" meter - \$ 315.00 per month  
4" meter - \$ 525.00 per month  
6" meter - \$1,050.00 per month  
8" meter - \$1,680.00 per month

Minimum Monthly Bill - \$21.00 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

254 users @ 3,000 gallons @ \$ 21.00 per user =	\$5,334.00 monthly
75 users @ 3,500 gallons @ \$ 23.80 per user =	\$1,785.00 monthly
59 users @ 4,500 gallons @ \$ 29.40 per user =	\$1,734.60 monthly
51 users @ 5,500 gallons @ \$ 35.00 per user =	\$1,785.00 monthly
37 users @ 6,500 gallons @ \$ 40.60 per user =	\$1,502.20 monthly
29 users @ 7,500 gallons @ \$ 45.76 per user =	\$1,327.04 monthly
17 users @ 8,500 gallons @ \$ 50.47 per user =	\$ 857.99 monthly
6 users @ 9,500 gallons @ \$ 55.18 per user =	\$ 331.08 monthly
7 users @ 10,500 gallons @ \$ 59.89 per user =	\$ 419.23 monthly
2 users @ 11,500 gallons @ \$ 64.60 per user =	\$ 129.20 monthly
2 users @ 12,500 gallons @ \$ 69.31 per user =	\$ 138.62 monthly
2 users @ 13,500 gallons @ \$ 74.02 per user =	\$ 148.04 monthly
1 user @ 20,500 gallons @ \$103.80 per user =	\$ 103.80 monthly
1 user @ 24,500 gallons @ \$120.32 per user =	\$ 120.32 monthly
1 user @ 39,500 gallons @ \$171.39 per user =	\$ 171.39 monthly
1 user @ 40,500 gallons @ \$174.77 per user =	\$ 174.77 monthly
1 user @ 59,500 gallons @ \$232.34 per user =	\$ 232.34 monthly

546 Total Users

\$16,294.62 Monthly Revenue x 12 = \$195,535.44 Annual Revenue

Budget

Income		\$195,535.44
Expenses		
O & M	\$95,500	
*Debt Service	88,746	
**Reserve	10,849	
		\$195,095.00
Balance and Depreciation		\$ 440.44

Operating and Maintenance Expenses

Salaries & Taxes	\$40,000
Transportation	1,500
Utilities	20,000
Maintenance Materials	15,000
Billing and Collection	7,500
Insurance	2,000
Chemicals and Supplies	5,000
Regulatory Commission Fees	1,250
Miscellaneous	3,250
TOTAL	\$95,500

\*Proposed Debt Service - \$88,746

\*\*Proposed Debt Service Reserve - \$10,849

Total Debt Service - \$88,746

Total Debt Service Reserve - \$10,849

RUS - 4.875% for 38 yrs.

 $\$850,000 \times .00483 = \$4,106/\text{mo.} \times 12 = \$49,272/\text{yr.}$ 

Reserve at 10% of \$49,272 = \$4,927/yr.

WVUDC - 0% for 38 yrs.

 $\$1,500,000 / 38 = \$39,474/\text{yr.}$ 

Reserve at 15% of \$39,474 = \$5,922/yr.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
Water and Waste Processing Checklist

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	App.		Have	3
	Public Notice of Intent to File App. / Environ. Notice	1	1780.19(a) 1940-G	App.		Have	3
	Regional Planning & Development Council Review	2	1780.33(b)	App.		Have	3
	State Clearing-house Review or IJDC Review	2	1780.33(b)	App.		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Eng.		Have	6
	Audit for last year of operation	1	1780.33(e)	App./Acct.			1
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	App.			5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App.			5
RD 1940-20	Request for Env. Info/ Attachments	2	1780.33(f)	App./Eng.		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	App.			3
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	App.			2
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1940-G	RUS/Eng.		Have	3
	Site Visit		S.I. 1780-2	RUS		Have	3
	Statement from Historical Preservation Office	2	Exhibit H 1940-G	App.		Have	3
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	Exhibit H 1940-G	App.		Have	3
	Comments from U.S. Fish and Wildlife Service (Endangered Species)	2	Exhibit H 1940-G	App.		Have	3
	Farmland Conversion Impact Rating	1	Exhibit H 1940-G	RUS/ NRCS		Have	3
	FONSI / Evidence of Publication	1	Exhibit 1 RD 1940-G News Ad	RUS/App.		Have	3
	Copy of Existing Rate Tariff	2	1780.33	App.		Have	8

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Applicant's IRS Tax Number (TIN)	1	1780.33(g)	App.			3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Review for Outstanding Judgment	1	1780.7(g)	RUS			3
	Processing Conference	1	1780.39(a)	RUS		Have	3
	Staff Engineer PER Review	1	1780.33(c)	RUS			6
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
	Bill Analysis for existing system(s)	2	1780.33(c)	App./Eng.		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	App./Eng.		Have	8
	Statement reporting the total number of potential users		1780.33(c)	App./Eng.		Have	8
RD 1942-19 or other approved	Agreement between Owner & Engineer	3	1780.39(b)	App./Eng.			6

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	App./Att.			5
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	App./ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	App./Acct.			5
	Documentation on Service Area	1	1780.11	RUS		Have	3
	Relationships/ Associations with Agency Employees	1	1780.1(f)				3
Auto. Form	Grant Determination	3	1780.35(b)	RUS		Have	2
RD 1942-45	Project Summary	3	1780.41(a)	RUS			1
RD 442-7	Operating Budget	3	1780.33(h)	App.			3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS			2
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	App.			3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/App.			2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/App.			2
	Evidence of "Other Funds"	1	1780.44(f)	App.			2
	Evidence of Applicant Contribution	1	1780.44(f)	App.			2
Bulletin 1780-12	Sewer Users Agreement or State Health Department Mandatory Hook-Up Commitment Letter	1	1780.39(c)	App.			5
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	App.			5
AD 1048	Certification Regarding Debarment (Contractor)	1 ea.	1780.33(h)	All Appropriate Vendors			5
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	App.		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	App.			Sep. File
	2. List of Signed Users Numbered to Map	1	LOC	App.			5
	3. List of Declination Statement Numbered to Map	1	LOC	App.			5
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	App.			5
	Verification of Users	1	1780.44(b)	RUS			3
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			2
	Right-of-Way Map	1	1780.44(g)	Eng.			Sep. File

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Deeds and/or Options		1780.44(g)	App./Att.			
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	App./Att.			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	App./Att.			5
	Narrative Opinion from Attorney	1	1780.44(g)	Att.			5
	Waiver of Title Defects Letter	1	1780.44 (g)(2)(ii)	RUS			
	Exception for Metering Devices	1	1780.57(m)	App./RUS			
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Att.			5
RD 1942-47	Loan Resolution	1	1780.45 (a)(2)	App.			5
	Copy of PSC Rule 42 Exhibit	1	State	Att./Acct.			3
	Agreement with Accountant	1	1780.39 (b)(2)	App./Acct.			6
Lender Agrmnt/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	App./RUS			1
RD 400-1	Equal Opportunity Agreement	1	1901-E	App.			6

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
RD 400-4	Assurance Agreement	1	1901-E	App.			3
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Sep. File
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
	DOH Permit	1	1780.15(d)	App.			6
	Railroad Permits	1	1780.15(d)	App.			6
	Public Land Corp. Permit	1	1780.15(d)	App.			6
	Contract Documents, Plans and Specifications	2		Eng.			Sep. File
	Dept. of Health Approval	1	1780.15(d)	Eng.			6
	Dept. of Environmental Protection Permit	1		Eng.			6
400-8	Comp. Review	1	1901-H 1901.204	RUS			5
1924-16	Record of PreConstruction Conference	1	1780.76(a)	RUS/Eng.			6
	Bid Tabulation	1	1780.61(b)	Eng.			6
	Resume' of Inspector	1	1780.76(c)	Eng.			6

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Liability Insurance		1780.39(g)	App.			7
	Workers' Compensation Certificate	1	1780.39(g)	App.			7
	Flood Insurance Policy	1	1780.39(g)	App.			7
440-24	Fidelity Bond	1	1780.39(g)	App.			7
	OGC Final Opinion	1	1780.45(g)	RUS			5

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Authority: 5 U.S.C. 301; 7 U.S.C. 1989; 16 U.S.C. 1005.

## RUS Instruction 1780

### Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants"

#### §1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

#### §1780.81 Policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of \$100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

- (a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;
- (b) It must be established that not using bond counsel will produce significant savings in total legal costs;
- (c) The local attorney must be able and experienced in handling this type of legal work;
- (d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;
- (e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and
- (f) Closing instructions must be issued by OGC.

#### §1780.82 [Reserved]

§1780.83 Bond transcript documents

Any questions relating to Agency requirements should be discussed with Agency representatives. Bond counsel or local counsel, as appropriate, must furnish at least two complete sets of the following to the applicant, who will furnish one complete set to the Agency:

- (a) Copies of all organizational documents;
- (b) Copies of general incumbency certificate;
- (c) Certified copies of minutes or excerpts from all meetings of the governing body at which action was taken in connection with the authorizing and issuing of the bonds;
- (d) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding a favorable bond election, if one is necessary;
- (e) Certified copies of the resolutions, ordinances, or other documents such as the bond authorizing resolutions or ordinances and any resolution establishing rates and regulating use of facility, if such documents are not included in the minutes furnished;
- (f) Copies of the official Notice of Sale and the affidavit of publication of the Notice of Sale when State statute requires a public sale;
- (g) Specimen bond, with any attached coupons;
- (h) Attorney's no-litigation certificate;
- (i) Certified copies of resolutions or other documents pertaining to the bond award;
- (j) Any additional or supporting documents required by bond counsel;
- (k) For loans involving multiple advances of Agency loan funds, a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered at or before the time of the first advance of funds. It will state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan, subject only to changes occurring during the advance of funds, such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates;
- (l) Final unqualified approving opinion of bond counsel, (and preliminary approving opinion, if required) or local counsel if no bond counsel is involved, including an opinion as to whether interest on bonds will be exempt from Federal and State income taxes. With approval of the State program official, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinion to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(1) or 1929a (h)).

RUS Instruction 1780

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22, "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar.

(c) Third preference - single instruments with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the principal balance. For bonds with semiannual interest and annual principal, the interest is calculated by multiplying the principal balance times the interest rate and dividing this figure by two. Principal installments are to be scheduled so that total combined interest and principal payments closely approximate amortized payments.

(1) The repayment terms concerning interest only installments described in paragraph (b) of this section apply.

(2) The instrument shall contain in substance provisions indicating:

(i) Principal maturities and due dates;

(ii) Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond; and

(iii) Payments on delinquent accounts will be applied in the following sequence:

(A) billed delinquent interest;

(B) past due interest installments;

(C) past due principal installments;

(D) interest installment due; and

(E) principal installment due.

(d) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be numbered consecutively and delivered in chronological order. Such bonds will conform to the minimum requirements of §1780.94. Provisions for application of payments will be the same as those set forth in paragraph (c)(2)(ii) of this section.

(e) Coupon bonds. Coupon bonds will not be used unless required by State statute. Such bonds will conform to the minimum requirements of §1780.94.

§1780.88 [Reserved]

§1780.89 Multiple advances of Agency funds using permanent instruments.

Where interim financing from commercial sources is not used, Agency loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

## RUS Instruction 1780

### §1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advances of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (a) The date from which each advance will bear interest;
- (b) The interest rate as determined by §1780.13;
- (c) A payment schedule providing for interest on outstanding principal at least annually; and
- (d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

### §§1780.91 - 1780.93 [Reserved]

### §1780.94 Minimum bond specifications.

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

- (a) **Type and denominations.** Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.
- (b) **Bond registration.** Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(c) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(d) Date of bond. Bonds will normally be dated as of the day of delivery. However, the borrower may use another date if approved by the Agency. Loan closing is the date of delivery of the bonds or the date of delivery of the first bond when utilizing serial bonds, regardless of the date of delivery of the funds. The date of delivery will be stated in the bond if different from the date of the bond. In all cases, interest will accrue from the date of delivery of the funds.

(e) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law.

(1) If income is available monthly, monthly payments are recommended unless precluded by State law. If income is available quarterly or otherwise more frequently than annually, payments must be scheduled on such basis. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used.

(2) The payment schedule will be enumerated in the evidence of debt, or if that is not feasible, in a supplemental agreement.

(3) If feasible, the first payment will be scheduled one full month, or other period, as appropriate, from the date of loan closing or any deferment period. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided. When principal payments are deferred, interest-only payments will be scheduled at least annually.

(f) Extra payments. Extra payments are derived from the sale of basic chattel or real estate security, refund of unused loan funds, cash proceeds of property insurance and similar actions which reduce the value of basic security. At the option of the borrower, regular facility revenue may also be used as extra payments when regular payments are current. Unless otherwise established in the note or bond, extra payments will be applied as follows:

(1) For loans with amortized debt instruments, extra payments will be applied first to interest accrued to the date of receipt of the payment and second to principal.

(2) For loans with debt instruments with P&I installments, the extra payment will be applied to the final unpaid principal installment.

(3) For borrowers with more than one loan, the extra payment will be applied to the account secured by the lowest priority of lien on the property from which the extra payments was obtained. Any balance will be applied to other Agency loans secured by the property from which the extra payment was obtained.

(4) For assessment bonds, see paragraph (k) of this section.

(g) The place of payments on bonds purchased by the Agency will be determined by the Agency.

(h) Redemptions. Bonds will normally contain customary redemption provisions. However, no premium will be charged for early redemption on any bonds held by the Government.

(i) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

(1) Provisions for the holder to manually post each payment to the instrument.

(2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.

(3) Provisions that amend covenants contained in Forms RD 1942-47 or RD 1942-9.

(4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

(1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;

(2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;

(3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;

(4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.

§1780.95 Public bidding on bonds.

Bonds offered for public sale shall be offered in accordance with State law and in such a manner to encourage public bidding. The Agency will not submit a bid at the advertised sale unless required by State law, nor will reference to Agency's rates and terms be included. If no acceptable bid is received, the Agency will negotiate the purchase of the bonds.

§§1780.96 - 1780.100 [Reserved]

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Town of Masontown

Sewer Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of WesBanco, Inc., Masontown, West Virginia (the "Bank"), hereby certify that on April 20, 2007, the Bank received an automated clearinghouse transfer in the amount of \$219,500 for the Series 2007 A Bonds to the credit of the Project Construction Account (Account Number 2816622290).

WITNESS my signature on this 20th day of April, 2007.

WESBANCO, INC.

By: Sandra L Murray  
Its: Authorized Officer

561890.00003

CH847313.1



March 29, 2007

Via Fax: (304) 353-8180

John C. Stump, Esq.  
Steptoe & Johnstone, PLLC  
P.O. Box 1588  
Charleston, WV 25326

RE: Ferri Contracting Co., Inc. v. Town of Masontown, WV, et al.  
Docket No.: 03-1303

Dear John:

I appreciated the opportunity to speak with you recently to discuss closing of the loan from RUS to the Town of Masontown to close out Masontown Wastewater collection project identified as case number 99-1836-S-CN(PSC).

As you requested, I have enclosed a copy of the fully executed copy of the "SETTLEMENT AGREEMENT AND RELEASE OF ALL CLAIMS" with regard to litigation related to the project which release indicates the parties' settlement and specifically directs that \$194,889.45 of the loan funds should be paid to the order of Ferri Contracting Co., Inc. and directed to this office.

You have indicated that closing of the loan is scheduled for April 18, 2007 and that the Town of Masontown can expect to receive the funding by April 20, 2007. By this correspondence, I am instructing Mr. Fletcher, the Town of Masontown's attorney, to see to it that the amount of \$194,889.45 be forwarded to my office as soon as possible thereafter.

Thank you very much for your kind assistance and cooperation in handling this matter. Should you have any questions or comments, or if the above does not accurately reflect our prior communication, please contact me immediately. Otherwise, I will look forward to receiving the funds on behalf of Ferri Contracting Co., Inc. shortly after April 20, 2007.

My kindest regards.

Sincerely,

JOHNSTONE, GABHART & PRIM, LLP

CHARLES M. JOHNSTONE, II

CMJ/dk

Enclosure(s) as stated.

cc: Carl Fletcher, Esq. (Via Fax: (304) 342-6677)  
Clem Ferri, Jr. (Via Fax: (724) 941-1489)

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MAILING ADDRESS

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Charleston, West Virginia 25321

STREET ADDRESS

1125 Virginia Street, East,  
Charleston, West Virginia 25301

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(304) 343-7107 FAX

## SETTLEMENT AGREEMENT AND RELEASE OF ALL CLAIMS

WHEREAS: Ferri Contracting Company, Inc. ("Ferri") was awarded and entered into a contract with the town of Masontown, West Virginia, for the construction of a wastewater collection system ("the project").

WHEREAS: Cerrone Associates, Inc. ("Cerrone") was the design engineer for the same said project which had also contracted with the town of Masontown ("Masontown").

WHEREAS: During the construction of the said sewer project, disputes arose between and among Ferri, Cerrone and Masontown.

WHEREAS: Stemming from the above referenced disputes, Ferri filed a complaint in the United States District Court for the Northern District of West Virginia, styled *Ferri Contracting Co. Inc. v. Town of Masontown, West Virginia; and Cerrone Associates, Inc.*, Civil Action No. 2:02CV53.

WHEREAS: Cerrone and Masontown both filed answers to the above referenced complaint, denying liability thereunder. In addition, Masontown filed a Cross-Claim in the above referenced case against Cerrone., to which Cerrone filed a response denying any liability to Masontown.

WHEREAS: Masontown filed a complaint in the Circuit Court of Preston County, styled *The Town of Masontown v. Ferri Contracting Co., Inc. & Cerrone Associates Inc* Civil Action No. 03-C-31. Ferri and Cerrone answered this complaint, denying all liability, as well as all liability stemming from cross-claims asserted. This action was stayed pending the resolution of the case filed in the United States District Court referenced above.

WHEREAS: The parties have been litigating this case in discovery for a lengthy period of time and have attended several mediation sessions in an attempt to settle the case.

WHEREAS: The parties, with advice of counsel, have decided that it is in their respective best interests to reach a compromised global settlement of the disputes at issue in the two civil suits referred to above and to mutually release each other from any and all liabilities stemming in any way from the facts related to the two above referenced civil actions.

WHEREFORE: Based upon what is set out above and the terms and conditions set out below, the parties hereby agree to enter into this Settlement Agreement and Release of All Claims ("Agreement") as follows.

1. The parties agree to immediately submit voluntary orders of dismissal with prejudice in the above referenced civil actions.
2. A total settlement amount shall be paid to Ferri in the amount of four hundred and eighty-six thousand dollars and no cents (\$486,000.00) by Cerrone.
3. It is understood that prior to reaching this agreement, the parties had decided as a part of the regular construction project process, to approve payment of certain outstanding change order requests which were previously submitted by Ferri during the construction of the subject wastewater project, in the amount of one hundred-ninety four thousand, eight hundred and eighty-nine dollars and forty-five cents (\$194,889.45). The parties believe that the public funding entity which reviews and approves these subject change orders will fund the same through a loan or grant to Masontown. In the event that the public funding entity will not fund such outstanding change orders, Masontown will retain the option to fund the said change orders via alternative financial arrangements if it so desires. If not, Masontown and Ferri agree that there will be a contractual right to institute a new civil action between these two parties (Ferri and Masontown only) in which to litigate all issues pending between the two parties. Cerrone shall not be a party in any such new civil action and is fully released therefrom.
4. It is understood that prior to reaching this agreement, the parties had decided as a part of the regular construction project process, to approve payment to Ferri of the remaining contract balances for the subject construction project totaling two hundred sixty-nine thousand one hundred ten dollars and 55 cents (\$269,110.55).
5. Ferri, through its attorneys, will take, or has already taken, all necessary steps to assure that all persons and entities who have made any claim on the settlement proceeds of the two civil actions at issue herein have been satisfied and will defend and indemnify Cerrone and/or Masontown from any claims against them related to the settlement of this suit. This shall include any claimants at all, such as sureties, bonding companies, creditors or any other entities who might have filed Suggestions, or Motions To Intervene or any other claimants who might argue or make a claim for payment or interest in the settlement proceeds of this suit. Ferri, through its attorneys, will ensure that any such claims are fully resolved and have been satisfied. This shall be interpreted to mean that Cerrone and Masontown will have fully and finally bought their peace from any claims related to the subject construction project and its related litigations described herein, no matter who might make such claims.
6. In consideration of the payments described herein, the parties mutually release, remise, acquit and forever discharge each other and their respective agents, servants, successors, heirs, administrators, executors, insurers, parents, subsidiaries, employees,

officers, directors, shareholders, legal representatives and all other related entities and assigns from any and all liability, claims, demands, judgments, damages, liabilities, costs or expenses (including attorneys fees or costs), actions or causes of action at law or equity stemming in any way from the two civil actions referred to herein. This shall be interpreted to mean that the parties are buying their peace and releasing any and all claims against each other that they might have had in the past, now might have or could have in the future that relate in any manner to the subject project referred to herein.

7. All parties deny the allegations they have respectively responded to in the two civil actions referred to herein and, by entering into this agreement, only wish to respectively buy their peace. No party makes any admission of wrong doing by entering into this agreement.
8. This entire Agreement has been made in good faith and is entered into on the condition that the two courts described herein will find that this is a good faith settlement and will dismiss the two subject civil actions with prejudice.
9. The parties agree and represent that they have considered the terms of this Agreement in conjunction with advice from their respective legal counsel.
10. This Agreement constitutes a full and final complete settlement and release as to each party herein and constitutes the entire Agreement of the parties.
11. This Agreement will be governed and construed in accordance with the laws of the State of West Virginia.
12. This Agreement may not be amended or modified except in writing signed by the parties.
13. If any part of this Agreement is found unlawful or unenforceable, the remainder of this Agreement shall not be affected by that finding.
14. This Agreement shall become fully effective immediately upon execution by the parties.
15. This Agreement can be signed and returned via facsimile.

IN WITNESS WHEREOF, the undersigned have executed and delivered the foregoing Agreement this 23 day of February, 2006.

Ferri Contracting Co. Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Town of Masontown, West Virginia

By: Carl L. Fletcher

Its: Attorney

Date: Jan. 23, 2007

Cerrone Associates, Inc.

By: William Hitchens

Its: attorney

Date: 01-02-07

IN WITNESS WHEREOF, the undersigned have executed and delivered the foregoing Agreement this 2d day of February, 2006.

Ferri Contracting Co. Inc.

By: Clement A. Ferri, Sr. President

Its: \_\_\_\_\_

Date: 1/9/07

Town of Masontown, West Virginia

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Cerrone Associates, Inc.

By: William Hutchens

Its: attorney

Date: 02-02-07