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City of Salem
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

VIA HAND DELIVERY

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301

Dear Witter:

Enclosed are the following documents in connection with the above-captioned bond issue:

- (1) Bond Ordinance,
- (2) Supplemental Resolution,
- (3) Specimen Series 1995 A Bond,
- (4) Specimen Series 1995 B Bond, and
- (5) New Issue Reports.

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126 EAST BURKE STREET
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104 WEST CONGRESS STREET
P. O. BOX 100
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City of Salem
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

TO ALL ON ATTACHED DISTRIBUTION LIST

Ladies and Gentlemen:

Enclosed is your copy of the transcript of documentation for the above-captioned bond issue. Please briefly review this transcript before filing it away and call me if you have any questions. Thanks for your help and cooperation in successfully concluding this financing!

Very truly yours,

Francesca Tan

Francesca Tan

FT/cab
Enclosure
TRANS.LTR
788170/91001

CITY OF SALEM

**Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)
and Series 1995 B**

BOND TRANSCRIPT

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5. Public Service Commission Orders
6. Cross-Receipt for Series 1995 A Bonds and Bond Proceeds
7. Direction to Authenticate and Deliver Series 1995 A Bonds
8. Receipt for Series 1995 B Bonds and Transcript
9. Specimen Series 1995 A Bond
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11. Approving Opinion on Series 1995 A Bonds of Steptoe & Johnson,
Bond Counsel

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12. Approving Opinion on Series 1995 B Bonds of Steptoe & Johnson, Bond Counsel
13. Opinion on Series 1995 A Bonds of Counsel to Issuer
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[All documents in the bond transcript of the City's Sewer Refunding Revenue Bonds, Series 1995 C, not specifically listed herein shall be included herein to the same extent as if written fully herein.]

06/21/95
SALEMC.C4
788170/91001

**CITY OF SALEM
SEWER REVENUE BONDS,
SERIES 1995 A (WEST VIRGINIA SRF PROGRAM)
AND SERIES 1995 B
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING**

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CITY OF SALEM

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$3,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SALEM:

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 adopted and enacted pursuant to the provisions of Chapter 16, Article 13 and Chapter 22C, Article 2 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 City of Salem (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State.

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements for the existing public sewerage system of the Issuer, consisting of a wastewater treatment plant and collection system, and all appurtenant facilities (the "Project"), which constitute properties for the collection, transportation, treatment, purification and disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage system of the Issuer, the Project and any further additions, improvements or betterments thereto or extensions thereof 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 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 the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and to make all payments into all sinking funds, reserve accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. The Issuer intends to permanently finance a portion of such costs of acquisition and construction of the Project through the issuance of its sewer revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, and to the Purchaser (as hereinafter defined).

E. It is deemed necessary for the Issuer to issue its sewer revenue bonds in two series, being the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) (the "Series 1995 A Bonds"), in the aggregate principal amount of not more than \$3,150,000, and the Sewer Revenue Bonds, Series 1995 B (the "Series 1995 B Bonds"), in the aggregate principal amount of not more than \$2,000,000, to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01. It is also deemed necessary for the Issuer (at its option) to issue its sewerage system bond anticipation notes prior to issuance of the Bonds and to issue, contemporaneously therewith or as soon as practicable thereafter, its sewerage system grant anticipation notes and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than \$1,000,000 to temporarily finance a portion of the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed

necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of construction or acquisition of the Project; amounts which may be deposited in the respective Reserve Accounts (as hereinafter defined); 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, including the SRF Administrative Fee (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 Bonds and Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the Notes 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. There are to be issued contemporaneously with the issuance of the Series 1995 A Bonds and the Series 1995 B Bonds, the Sewer Refunding Revenue Bonds, Series 1995 C, of the Issuer, in the aggregate principal amount of not more than \$100,000 (the "Series 1995 C Bonds"), the proceeds of which shall be used to pay in full the outstanding Sewer Revenue Bonds, dated August 1, 1962 (the "Prior Bonds"), of the Issuer. The Series 1995 C Bonds shall be issued on a parity with the Series 1995 A Bonds and the Series 1995 B Bonds as to liens, pledge and source of and security for payment, pursuant to a separate ordinance simultaneously enacted by the Issuer. Other than the Series 1995 C Bonds, there are no outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Series 1995 A Bonds and the Series 1995 B Bonds.

The grant anticipation notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such grant anticipation notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such grant anticipation notes. The bond anticipation notes, if issued, will be payable from the proceeds of the Bonds (or individual series thereof), certain proceeds of such bond anticipation notes and the Net Revenues, if necessary and if available, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such bond anticipation notes.

H. It is in the best interests of the Issuer that its Series 1995 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP, to be approved hereby if not previously approved by resolution of the Issuer, and, further, it is in the best interests of the Issuer that its Series 1995 B Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of a Letter of Conditions dated December 13, 1991, and all amendments thereto (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition and construction of the Project and the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, 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 Bonds or any of the Notes or such final order will not be subject to appeal.

J. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Council to issue the Bonds and Notes, as needed for the purposes set forth herein.

K. The Project is grandfathered from the review of the West Virginia Infrastructure and Jobs Development Council required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

L. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the Net Proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(D) of the Code and all other entities benefiting thereby, reasonably expect to issue less than \$5,000,000 aggregate principal amount of tax-exempt obligations (other than private activity bonds) during the calendar year in which the Bonds are to be issued.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the

equal benefit, protection and security of the Registered Owners of any and all of such Bonds and Notes, respectively, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series and between any one Note of a series and any other Note of the same series, 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 22C, Article 2 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 of the Series 1995 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"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 and Notes Ordinance" or "Local Act" means this Bond and Notes 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.

"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.

"Bonds" means, collectively, the Series 1995 A Bonds, the Series 1995 B Bonds and the Series 1995 C Bonds, and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 1995 A Bonds and the Series 1995 B Bonds for the proceeds representing the purchase price of the Series 1995 A Bonds and the Series 1995 B Bonds or at least a de minimis portion thereof from the Authority and the Purchaser.

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Kakanui Associates, Beckley, West Virginia, or any qualified engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof; 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 construction and acquisition of the Project.

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

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment or any other agency, board or department of the State of West Virginia that succeeds to the functions of the DEP.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

"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, as it may now or hereafter be 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 Agreement" means a written commitment for the payment of any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of any grant anticipation notes.

"Grants" means, collectively, all moneys received by the Issuer on account of any Grant 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.

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to the Notes and all supplements or amendments thereto.

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or 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, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer," "Borrower" or "City" means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body and the Sanitary Board of the Issuer.

"Letter of Conditions" means the Letter of Conditions of the Purchaser dated December 13, 1991, and all amendments thereto.

"Loan Agreement" means the Loan Agreement, heretofore entered, or to be entered, into among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1995 A 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 and confirmed by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amounts of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the respective reserve accounts. 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 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 which is acquired with the gross proceeds or any other proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

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

"Notes" means, collectively, the not more than \$1,000,000 in aggregate principal amount of sewerage system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution and its successors and assigns.

"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, Registrar, Paying Agent and the Trustee (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 or Notes, 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 or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated (where applicable) and delivered or all Notes theretofore and thereupon being authenticated and delivered except (i) any Bond or Note cancelled by the Bond Registrar or Notes Registrar, at or prior to said date; (ii) any Bond or Note, 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 or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Note deemed to have been paid as provided in Article X hereof or as provided in the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes 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 designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution by the Issuer.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental

unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the existing public sewerage system of the Issuer, consisting of a wastewater treatment plant and collection system, and all appurtenant facilities.

"Purchaser" or "Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereof, on behalf of the United States of America, which is expected to be the original purchaser of the Series 1995 B 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 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 State Board of Investments 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 excluded from gross income for federal income tax purposes, 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, as appropriate, either the Bond Registrar or the Notes Registrar or both.

"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 Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Bonds.

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

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

"Series 1995 A Bonds" means the not more than \$3,150,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), of the Issuer.

"Series 1995 A Bonds Reserve Account" means the Series 1995 A Bonds Reserve Account established in the Series 1995 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1995 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 1995 A Bonds in the then current or any succeeding year.

"Series 1995 A Bonds Sinking Fund" means the Series 1995 A Sinking Fund established by Section 5.02 hereof.

"Series 1995 B Bonds" means the not more than \$2,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1995 B, of the Issuer.

"Series 1995 B Bonds Reserve Account" means the Series 1995 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 1995 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 1995 B Bonds in the then current or any succeeding year.

"Series 1995 C Bonds" means the not more than \$100,000 in aggregate principal amount of Sewer Refunding Revenue Bonds, Series 1995 C, of the Issuer, contemporaneously issued under a separate ordinance of the Issuer.

"SRF Administrative Fee" means any administrative fee required to be paid pursuant to the Loan Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds

of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds from the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"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 or resolutions authorizing the sale of any or all of the Notes or the sale of the Bonds, as the case may be; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Notes or the Bonds, as the case may be, 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 or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the Reserve Accounts.

"System" means the complete public sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof, and shall include the Project and any further improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever.

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

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 \$6,781,418, 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 Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program.

The cost of the Project is estimated not to exceed \$6,781,418, of which approximately \$3,150,000 will be obtained from the proceeds of the Series 1995 A Bonds, approximately \$2,000,000 will be obtained from the proceeds of the Series 1995 B Bonds, approximately \$750,000 from a grant by the Purchaser, approximately \$750,000 from a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and approximately \$131,418 from a grant by the United States Environmental Protection Agency.

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 1995 A Bonds and the Series 1995 B Bonds, funding a reserve account for the Series 1995 A Bonds and the Series 1995 B Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any one or more of such purposes, as determined by the Supplemental Resolution, there shall be and are authorized to be issued negotiable bonds of the Issuer, in an aggregate principal amount of not more than \$5,150,000. The Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program)," in the aggregate principal amount of not more than \$3,150,000, and "Sewer Revenue Bonds, Series 1995 B," in the aggregate principal amount of not more than \$2,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the grant anticipation notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. A. The Series 1995 A Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, 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 a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1995 A 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 on the Series 1995 A Bonds shall be paid by check or draft of the Paying 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.

B. The Series 1995 B Bonds shall be issued in the form of a single, fully registered Bond, numbered BR-1, shall be dated the date of delivery thereof and shall be in such principal amount as set forth in a Supplemental Resolution. The Series 1995 B Bonds shall bear interest from the date of delivery, payable monthly at the rate not exceeding the then legal maximum as the Issuer shall prescribe in a Supplemental Resolution, and shall be sold for the par value thereof. The Series 1995 B 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 a Supplemental Resolution and/or in the Bond form hereinafter set forth.

Unless otherwise provided by the Supplemental Resolution or herein, the Bonds shall be issued in the form of a single bond for each series, with the Series 1995 A Bonds being fully registered to the Authority and the Series 1995 B Bonds fully registered to the Purchaser, with a record of advances and a debt service schedule attached to the Series 1995 A Bonds and with a record of advances attached to the Series 1995 B Bonds, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for another fully registered Bond 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 Authority nor the Purchaser shall be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date except as otherwise expressly provided herein.

Section 3.03. Bond Registrar. A. The Bond Registrar for the Series 1995 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

B. The Issuer shall be the Bond Registrar with respect to the Series 1995 B Bonds and will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Series 1995 B Bonds, and, upon presentation for such purpose, the Issuer shall, under such reasonable regulations as it may prescribe, register the Series 1995 B Bonds initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Series 1995 B Bonds as hereinafter provided.

The Issuer shall accept the Series 1995 B 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 1995 B 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 1995 B 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

Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.04. Execution of Bonds. The 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 any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any 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 Bonds issued hereunder. The provisions of this Section 3.05 relating to authentication and other provisions of this Bond Legislation relating to authentication of Bonds shall not apply to the Series 1995 B Bonds, notwithstanding anything herein to the contrary.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Bond Registrar for the Bonds other than the Series 1995 B Bonds, shall keep and maintain books for the registration and transfer of the respective series of Bonds.

Subject to the provisions of Section 3.03 with respect to the Series 1995 B 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, 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 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 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, or the Bond Registrar shall, if so advised by the Issuer, authenticate (where applicable) 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 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all Series 1995 A Bonds, Series 1995 B Bonds and Series 1995 C Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity basis. Such Net Revenues in an amount

sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into all sinking funds and reserve accounts and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[FORM OF SERIES 1995 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM
SEWER REVENUE BOND, SERIES 1995 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 _____ 1, _____ 1, _____ 1 and _____ 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, without interest. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on _____ 1, _____ 1, _____ 1 and _____ 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

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 upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, dated _____, 199____.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing public sewerage system of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] to pay certain costs of issuance hereof and related costs. The existing public sewerage system of the Issuer, 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 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bonds and Notes Ordinance duly enacted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (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 WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1995 B, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____ (THE "SERIES 1995 B BONDS"), AND THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 1995 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____ (THE "SERIES 1995 C 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 1995 B Bonds and the Series 1995 C Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1995 A 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 1995 A 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, the Series 1995 B Bonds, the Series 1995 C Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1995 A 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 the Series 1995 B Bonds, the Series 1995 C Bonds, and any other obligations outstanding prior to or on a parity with the 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 One Valley Bank, National Association, 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 Bond 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 the 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 owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the 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 and interest, if any, on 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 CITY OF SALEM 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 _____, 199____.

[SEAL]

Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1995 A 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: _____, 199 ____.

ONE VALLEY BANK,
NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT B
SCHEDULE OF ANNUAL DEBT SERVICE

(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:

[FORM OF SERIES 1995 B BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM
SEWER REVENUE BOND, SERIES 1995 B

No. BR- _____

\$ _____

FOR VALUE RECEIVED, the CITY OF SALEM (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 _____ 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 the Bond and continuing on the corresponding day of each month for the first twenty-four 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 construction and acquisition of additions, extensions and improvements to the sewerage system (the "System") of the Borrower, is payable solely from 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, nor shall the Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

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 said office of the 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, as amended (the "Act"), and a Bond and Notes Ordinance of the Borrower duly enacted authorizing issuance of this Bond and a resolution supplemental thereto duly adopted (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 WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM), ISSUED CONCURRENTLY HERewith IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____, AND THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 1995 C, ISSUED CONCURRENTLY HERewith IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____.

IN WITNESS WHEREOF, the CITY OF SALEM 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, and has caused this Bond to be dated _____, 199____.

CITY OF SALEM

(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Mayor

(Title of Executive Official)

Post Office Box 352

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

Salem, West Virginia 26426

(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Recorder

(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

TOTAL \$ _____

(Form of Assignment)

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. Delivery of Series 1995 A Bonds. The Issuer shall execute and deliver the Series 1995 A Bonds to the Bond Registrar for such Bonds, and the Bond Registrar shall authenticate, register and deliver the Series 1995 A Bonds to the original purchasers of such Bonds upon receipt of the documents set forth below:

- A. If other than the Authority, a list of the names in which the Series 1995 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1995 A Bonds to the original purchasers;
- C. An executed and certified copy of Bond Legislation;
- D. An executed copy of the Loan Agreement; and
- E. The unqualified approving opinion of bond counsel on the Series 1995 A Bonds.

Section 3.12. Sale of Bonds to Authority and Purchaser; Approval and Ratification of Execution of Loan Agreement. The Series 1995 A 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 Series 1995 B Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions.

Section 3.13. "Amended Schedule A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed \$1,000,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. 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 Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Net Revenues (if issued in the form of bond anticipation notes) or the Grant Receipts, the Surplus Revenues and the letter of credit proceeds (if issued in the form of grant anticipation notes) and from other sources described in the Indenture and/or supplemental resolution or resolutions. 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 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 in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed \$1,000,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

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 and established with 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;
- (2) Renewal and Replacement Fund; and
- (3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission.

The following special funds or accounts are hereby created and established with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and from each other:

- (1) Series 1995 A Bonds Sinking Fund;
 - (a) Within the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account; and
- (2) Series 1995 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 herein provided.

- (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, simultaneously, (i) commencing 4 months prior to the first date of payment of principal on the Series 1995 A Bonds, remit to the Commission for deposit in the Series 1995 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the

Series 1995 A 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 1995 A Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; (ii) remit to the National Finance Office designated in the Series 1995 B Bonds (or such other place as may be subsequently provided pursuant to the Series 1995 B Bonds), the amount required to pay the interest on the Series 1995 B Bonds, and to amortize the principal of the Series 1995 B Bonds over the life of such Bond issue; and (iii) remit to the paying agent for the Series 1995 C Bonds, the amount required to pay interest on the Series 1995 C Bonds, and to amortize the principal of the Series 1995 C Bonds over the life of such Bond issue. All payments with respect to principal of and interest, if any, on the Series 1995 A Bonds, the Series 1995 B Bonds and the Series 1995 C Bonds shall be made on an equal pro rata basis and on a parity with each other to the fullest extent possible.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) commencing 3 months prior to the first date of payment of principal of the Series 1995 A Bonds, if not fully funded upon issuance of the Series 1995 A Bonds, remit to the Commission for deposit in the Series 1995 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1995 A Bonds Reserve Requirement; (ii) remit to the Commission for deposit in the Series 1995 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1995 B Bonds Reserve Requirement; and (iii) remit to the paying agent for deposit in the reserve account, if any, established for the Series 1995 C Bonds, an amount equal to the requirement therefor, if any; provided that, no further payments shall be made into the respective Reserve Accounts when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the respective Reserve Requirement. Moneys in the respective Reserve Accounts shall be used solely to make up any deficiency for monthly payments of the principal of and interest, if any, on the respective series of Bonds. All payments with respect to the respective Reserve Accounts shall be made on an equal pro rata basis and on a parity with each other to the fullest extent possible.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, transfer to 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, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the respective Reserve Accounts (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 hereby) shall be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis.

Moneys in the Series 1995 A Bonds Sinking Fund shall be used only for purposes of paying principal of and interest, if any, on the Series 1995 A Bonds as the same shall become due. Notwithstanding anything herein to the contrary, the Holders of the Series 1995 B Bonds shall have no claim to moneys in the Series 1995 A Bonds Sinking Fund, including the Series 1995 A Bonds Reserve Account therein, to the extent such moneys correspond to monthly installments previously paid upon the Series 1995 B Bonds. Moneys in the Series 1995 A Bonds Reserve Account and the Series 1995 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1995 A Bonds and Series 1995 B Bonds, respectively and on a parity basis, as the same shall come due, when other moneys are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account and the Series 1995 B Bonds Reserve Account 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 Bond Construction Trust Fund, 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 payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the respective Reserve Accounts which result in a reduction in the balance of the respective Reserve Accounts to below the respective Reserve Requirement, shall be subsequently restored from the first Net Revenues available after all required payments set forth in Subsection 5.03(A)(2) hereof have been made in

full for payment of debt service on the Series 1995 A Bonds, the Series 1995 B Bonds and the Series 1995 C Bonds.

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 fund and otherwise sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account or accounts in an amount or amounts equal to the maximum amount or amounts of principal and interest which will become due in any year for account of the Bonds of such series.

The Issuer shall not be required to make any further payments into the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account therein, or into the Series 1995 B Bonds Reserve Account, when the aggregate amount of funds in said respective sinking fund and reserve accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata with respect to the Series 1995 A Bonds, the Series 1995 B Bonds and the Series 1995 C Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account and the Series 1995 B Bonds Reserve Account created hereunder, and all amounts required for said sinking fund and reserve accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

Moneys in the respective sinking fund and reserve accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1995 A Bonds Sinking Fund and the Series 1995 A Bonds Reserve Account therein, and the Series 1995 B Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds

ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions and in the priority hereinafter set forth.

Whenever the moneys in the Series 1995 A Bonds Reserve Account and the Series 1995 B Bonds Reserve Account shall be sufficient to prepay the Series 1995 A Bonds and the Series 1995 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay such 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 Renewal and Replacement Fund as herein provided, and all amounts required for the 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 advice stating the amount remitted for deposit into said fund.

The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Renewal and Replacement Fund invested and reinvested in accordance with Section 8.01 hereof.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds and accounts, 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 and accounts 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, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

C. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the required interest, principal and reserve payments with respect to the 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 remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

E. The Issuer shall each month, on the day set forth in Section 5.03A(2) hereof (if such day is not a business day, then the next succeeding business day), deposit with the Commission the SRF Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

F. 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 and fees then due.

G. All funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Holders of the Series 1995 A Bonds and the Series 1995 B Bonds shall have a lien thereon. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of State and municipal funds under the laws of the State.

H. 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.

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

J. The Issuer shall, prior to delivery of the Series 1995 B Bonds, provide evidence that there will be at least 797 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

K. 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 Authority and the DEP.

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 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1995 A Bonds, there shall first be deposited with the Commission in the Series 1995 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1995 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction or acquisition of the Project.

B. Next, from the proceeds of the Series 1995 A Bonds, there shall be deposited with the Commission in the Series 1995 A Bonds Reserve Account and from the proceeds of the Series 1995 B Bonds, there shall be deposited with the Commission in the Series 1995 B Bonds Reserve Account, the respective amounts, if any, set forth in the Supplemental Resolution for funding of the respective Reserve Accounts.

C. Next, from the proceeds of the Series 1995 A Bonds and the Series 1995 B Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

D. The remaining advances of moneys derived from the sale of the Bonds shall be deposited upon receipt with the Depository Bank in the Bond Construction Trust Fund in the manner set forth in the Supplemental Resolution and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended are hereby pledged as additional security for the Series 1995 A Bonds and the Series 1995 B Bonds; provided, however, that such pledge shall only extend to such moneys as have been actually paid to the Bond Construction Trust Fund by the original purchaser of the respective series of Bonds secured thereby. In the event that Notes are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority, the DEP and the Purchaser.

F. There shall additionally be established with the Depository Bank such separate accounts and subaccounts within the Bond Construction Trust Fund as are set forth in the Supplemental Resolution so that the Issuer and the Depository Bank may at all times ascertain the source of all funds in the Bond Construction Trust Fund.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 1995 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

- (1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, and
- (2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:
 - (A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
 - (B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;
 - (C) That each of such costs has been otherwise properly incurred; and
 - (D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts and subaccounts therein, 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 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1995 A Bonds, the Series 1995 B Bonds and the Series 1995 C Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity basis. The Net Revenues in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into all sinking funds, reserve accounts, and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the ordinance of the Issuer enacted October 25, 1994, which rates and charges are hereby approved, ratified and confirmed.

Section 7.05. Sale of the System. Except as otherwise required by law and with the consent of the DEP, the Authority and the Purchaser, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1995 A Bonds, immediately be remitted to the Commission for deposit in the Series 1995 A Bonds Sinking Fund, and with respect to the Series 1995 B Bonds, immediately be remitted to the National Finance Office designated in the Series 1995 B Bonds, and, with the written permission of the Authority and the Purchaser, or in the event the Authority and the Purchaser are no longer Bondholders, the Issuer shall direct the Commission and the National Finance Office to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

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, 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, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, the DEP and the Purchaser, be applied to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. The application of such proceeds shall not reduce the amounts required to be paid into the funds and accounts 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, or their duly authorized representatives, of over 50% in amount of each series 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 in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. 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 established by this Bond Legislation at the time of the issuance of such subordinate obligations have been made and are current.

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

The Issuer shall give the Authority, the DEP and the Purchaser 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 Project, or any other obligations related to the Project or System.

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority, the DEP and the Purchaser, and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired 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 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 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 equally, except in the manner and under the conditions provided in this section, as to lien on and source of and security for payment from such revenues, with the Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books; Records and Facilities. 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 DEP, 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 DEP 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 DEP, or their agents and representatives, to inspect all records pertaining to the operation 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 or of a Note or Notes issued pursuant to this Bond Legislation or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers, the Trustee, the DEP, the Authority and the Purchaser, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations 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 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 Bonds or Notes, as the case may be, and shall submit said report to the Trustee, the DEP, the Authority and the Purchaser, or any other original purchaser of the Bonds. Such audit report submitted to the DEP, the Authority and the Purchaser shall include a statement that the Issuer is in compliance with the terms and provisions of 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 requirements.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall permit the Purchaser, the Authority or the DEP, 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 of the Project, the Issuer shall also provide the Purchaser, the Authority and the DEP, 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 Purchaser, the Authority and the DEP with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been 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 said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. 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 on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit in the respective Reserve Accounts and reserve accounts for obligations prior to or on a parity with the 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 on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget; Audit 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 DEP 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 the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee, the Authority, the Purchaser and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to the Purchaser, the DEP and the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

Commencing on the date contracts are executed for the 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 as Exhibit B, and forward a copy of such report to the Authority 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 Authority and the DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP 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 resident engineering services satisfactory to the Purchaser, the Authority and the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary

governmental bodies. Such resident engineer shall certify to the Purchaser, the Authority, the DEP 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 require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

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.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or the Notes 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, with the consent of the Authority and the Purchaser, for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the Purchaser, 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 Authority, the Purchaser, 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, to the extent available at reasonable cost to the Issuer; provided, however, if the System facilities are or will be located in designated special flood or mudslide-prone areas, flood insurance must be obtained.

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

(6) FIDELITY BONDS will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer 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 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 Purchaser, the Authority and the DEP. 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.

C. In addition to the foregoing requirements, the Issuer will carry insurance on bonds, or cause insurance on bonds to be carried for the protection of the Issuer, of such types and in such amounts as required by the Purchaser, if such requirements are greater than the types and amounts set forth above.

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 Division 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 Division 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 will 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 will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. 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 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 Bonds during the term thereof is, under the terms of the 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 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 Bonds during the term thereof is, under the terms of the 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 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 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 that 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 5% of the Net Proceeds of the 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the 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 and the Purchaser) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those determined by the Authority and the Purchaser) which would adversely affect such exclusion.

Section 7.19. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP and the Purchaser with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP, the Purchaser 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.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, 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, the Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Trustee, if any, and 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, 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 to assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be

required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Bonds are issued does not and will not exceed \$5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect and applicable to the Bonds. For purposes of this first paragraph of Section 8.03 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Bonds. In the event of a failure to pay any such amount or amounts, the Issuer will pay, from any lawful sources available therefor, to the United States an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to

its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Notes; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, 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 Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; 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.

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any 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 Bonds set forth in this Bond Legislation, any supplemental resolution or in the 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 Purchaser, the Depository Bank, the Registrar 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.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 Notes or Bonds, as the case may be, (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 Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners; provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders; provided further, that all rights and remedies of the Holders of each series of the Bonds shall be on a parity basis with each other.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond or bond anticipation note 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 or bond anticipation notes 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 possession, operation and maintenance of the System or the completion of the Project for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1995 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1995 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 1995 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1995 A 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 on the Series 1995 A Bonds from gross income for federal income tax purposes.

Series 1995 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1995 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1995 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1995 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1995 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1995 B Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 1995 B 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 1995 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1995 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation.

Prior to issuance of the Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Bonds, no material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes, the Series 1995 A Bonds or the Series 1995 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, 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 or Noteholder 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 exclusion of interest on the Bonds and the Notes 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 Bonds and Notes, 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, the Indenture, if any, the Bonds or the Notes, if any.

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, 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 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 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 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation 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 Clarksburg Telegram and The Clarksburg Exponent, two newspapers of general circulation in the City of Salem, no qualified newspaper being published therein, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bonds and Notes, 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 Bond Legislation and notice, and present protests, and that a certified copy of the 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 1, 1995
Passed on Second Reading - June 8, 1995
Passed on Final Reading
Following Public
Hearing - June 26, 1995



Mayor



Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the
CITY OF SALEM on the 26th day of June, 1995.

Dated: June 27, 1995

[SEAL]

M. Jane Young
Recorder

06/16/95
SALEMJ.A5
788170/91001

EXHIBIT A

Loan Agreement included in bond transcript as Document No. 3

CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM) AND SERIES 1995 B, OF THE CITY OF SALEM; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO THE SERIES 1995 A BONDS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1995 A BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1995 B BONDS TO FARMERS HOME ADMINISTRATION; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the city council (the "Governing Body") of the City of Salem (the "Issuer"), has duly and officially adopted and enacted a bond and notes ordinance, effective June 26, 1995 (the "Bond and Notes Ordinance" or "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$3,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES,

OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES 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 of the Issuer (collectively, the "Bonds"), to be issued in two series, being the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), in an aggregate principal amount of not more than \$3,150,000 (the "Series 1995 A Bonds"), and the Sewer Revenue Bonds, Series 1995 B, in an aggregate principal amount of not more than \$2,000,000 (the "Series 1995 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 1995 A Bonds dated May 18, 1995, and an addendum to the loan agreement dated May 31, 1995 (collectively, the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP"), all in accordance with Chapter 16, Article 13 and Chapter 22C, Article 2 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, 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 1995 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement, and the Series 1995 B Bonds are proposed to be purchased by the United States Department of Agriculture, Farmers Home

Administration, acting for and on behalf of the United States of America (the "Purchaser") pursuant to a Letter of Conditions, as amended; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amounts, the dates, the maturity dates, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SALEM:

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:

(A) The Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$3,150,000. The Series 1995 A Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2016, and shall bear no interest. The Series 1995 A Bonds shall be payable quarterly in principal installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1996, and ending September 1, 2016, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Series 1995 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1995 A Bonds.

(B) The Sewer Revenue Bonds, Series 1995 B, of the Issuer, originally represented by a single Bond, numbered BR-1 in the principal amount of \$2,000,000. The Series 1995 B Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.5% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 1995 B Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of \$9,180 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 1995 B 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 1995 B 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 1995 B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

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

Section 3. The Issuer does hereby ratify, approve 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 and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the Application to the DEP 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 Bonds will be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby approve and shall pay the administrative fee equal to 1% of the principal amount of the Series 1995 A Bonds set forth in "Schedule Y" attached to the Loan Agreement.

Section 5. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Series 1995 A Bonds 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 One Valley Bank, National Association, in substantially the form attached hereto, 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 6. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1995 A Bonds.

Section 7. The Issuer does hereby appoint First National Bank, Salem, West Virginia, as Depository Bank under the Bond Ordinance.

Section 8. Series 1995 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1995 A Bonds Sinking Fund, as capitalized interest.

Section 9. Series 1995 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1995 A Bonds Reserve Account and Series 1995 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1995 B Bonds Reserve Account.

Section 10. The balance of the proceeds of the Bonds shall be deposited in or credited to the Bond Construction Trust Fund as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds.

Section 11. The Issuer hereby authorizes the establishment of, and there are hereby created with the Depository Bank, the following special accounts within the Bond Construction Trust Fund established under Section 5.01 of the Bond Ordinance:

- (1) Account One
- (2) Account Two

All proceeds received from the sale of the Series 1995 A Bonds to the Authority shall be deposited in Account One. All proceeds received from the sale of the Series 1995 B Bonds to the Purchaser shall be deposited in Account Two. Proceeds deposited into Account One shall be kept separate and apart from proceeds deposited into Account Two, and vice versa.

Section 12. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Series 1995 A Bonds may be delivered on or about June 27, 1995, to the Authority pursuant to the Loan Agreement, and to the end that the Series 1995 B Bonds may be delivered on or about June 27, 1995, to the Purchaser pursuant to the Letter of Conditions and all amendments thereto as soon as the Purchaser will accept such delivery.

Section 13. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

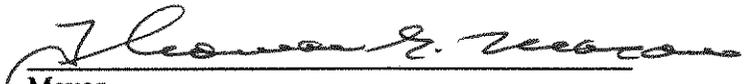
Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond and Notes Ordinance held by the Depository Bank, subject to any limitations of the Purchaser with respect of the proceeds from the sale of the Series 1995 B Bonds, in time accounts with maturities not exceeding 30 days and 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 time accounts until further directed in writing by the Issuer. Moneys in the Series 1995 A Bonds Sinking Fund, including the Series 1995 A Bonds Reserve Account therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the 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 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 to be promulgated or to be promulgated thereunder.

Section 16. The Issuer is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the Project and the System; no part of the Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and the Issuer reasonably expects to issue less than \$5,000,000 aggregate principal face amount of tax-exempt obligations (other than private activity bonds) during the calendar year 1995, being the calendar year in which the Bonds are to be issued. For purposes of this Section and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this Section and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this Section and Section 148(f)(4)(D) of the Code, to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

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

Adopted this 26th day of June, 1995.



Mayor

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Council of the CITY OF SALEM on the 26th day of June, 1995.

Dated: June 27, 1995

[SEAL]

M. Jane Young
Recorder

06/19/95
SALEMC.I3
788170/91001



SRF-LP-1
(April 1993)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Department of Commerce, Labor and Environmental Resources (the "DEP"), and the local government designated below (the "Local Government").

CITY OF SALEM

(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the construction, acquisition and improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of wastewater treatment projects by

such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to construct, operate and improve a wastewater treatment project and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

WHEREAS, the Local Government intends to construct, is constructing or has constructed such a wastewater treatment project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

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

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

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

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

1.5 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

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

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

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.10 "SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

1.11 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Local Government by the Consulting Engineers, the DEP and Authority having found, to the extent applicable, that the Project is consistent with the applicable provisions of the Program.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Local Government 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 for the Local Government by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Government, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by DEP and the Authority.

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

2.5 The Local Government shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Local Government shall permit the Authority and DEP, acting by and through their Directors or duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Local Government shall submit to the Authority and DEP such documents and information as it may reasonably require in connection with the construction, acquisition and installation of

the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Local Government agrees that it will permit the Authority and DEP and their respective agents to have access to the records of the Local Government pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

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

2.8 The Local Government shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and DEP. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Government, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Government on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the

Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Local Government agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 25% completion stage.

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

2.12 The Local Government, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority.

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy of each Form to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(c) The Local Government shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(d) The Local Government shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Local Government must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

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

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local

Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(g) The Local Government shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(h) The Local Government shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

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

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Local Government by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority, DEP and the Local Government. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date set forth in Exhibit E hereto.

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

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

(a) That the gross revenues of the System shall always be used for purposes of the System. The revenues generated from the operation of the System will be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

Provided that if the Local Government has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the net revenues from the System;

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

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

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the local bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

(v) That the Local Government shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by

a lien on or payable from the revenues of the System prior to the Local Bonds and with the written consent of the Authority and DEP; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Local Government will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Local Government will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that the Local Government is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Local Government's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(xii) That the Local Government shall annually adopt a detailed 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 Authority and DEP within 30 days of adoption thereof;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC,

prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, advanced from time to time, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Local Government and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding of such Local Government, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and DEP, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the Local Government 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) deposit with the West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

(xvii) That the Commission shall serve as paying agent for all Local Bonds;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Code, which exception shall be set forth in an opinion of bond counsel, the Local Government will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is

sufficient to pay the costs of acquisition and construction of the Project; and

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

ARTICLE V

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

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

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

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to Section 4.2 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default

hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by local governments in the terms and covenants of loan agreements, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Loan.

6.4 The Local Government hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Local Government fails to make any such rebates as required, then the Local Government shall pay any and all penalties, obtain a waiver from the Internal Revenue

Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.7 The Local Government hereby agrees to file with the Authority upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Schedule Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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

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

7.4 No waiver by any party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of

Attest:

Date: May 17, 1995

M. Jane Young
Its Recorder

WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION

By: Wanda Scott
Its: Chief, Office of Water Resources

Date: 5-18-95

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Lyubosky
Its: Director

Attest:

Date: 5/18/95

Barbara B. Meadows
Secretary-Treasurer

APPROVED AS TO FORM PRIOR TO
ACKNOWLEDGEMENT THEREOF, THIS
25th day of August, 19 92.

Attorney General
BY: Dawn E. Wayfield
DEPUTY ATTORNEY GENERAL

EXHIBIT A

Certificate of Performance
for
Publicly Owned Treatment Works

I. As required by the Clean Water Act under Title VI, Section 602(b)(6), and the Loan Agreement, the Local Government does hereby certify that it has :

- a. Provided to the WV DEP written notification of the actual date of initiation of operation. This date of initiation was on the _____ day of _____, 19____.
- b. Utilized the services of _____,
our prime engineer who either:
 - _____ Supervised our project construction; and/or
 - _____ Provided architectural and engineering services during construction.

For a period of twelve (12) months following the initiation of operations, the prime engineer provided the following services:

- 1) Directed project operation and maintenance; and
- 2) Trained operating personnel and prepared the required curricula and training materials, and revised the operation and maintenance manual(s); and
- 3) Advised the Local Government on the status of the project meeting performance standards.

II. The Local Government, having access to and control of all the necessary data, and having monitored the construction of this project, hereby certifies that the project built under this Loan Agreement meets:

- a. The specifications for which the project was planned, designed, and built.
- b. The effluent limitations contained in its NPDES permit, if applicable.

Local Government Name

Local Government Representative's Name and Title

Date

EXHIBIT B

[Form of Monthly Financial Report]

[Name of Local Government]

[Name of Bond Issue]

Fiscal Year - _____

Report Month: _____

<u>ITEM</u>	<u>CURRENT MONTH</u>	<u>YEAR TO DATE</u>	<u>BUDGET YEAR TO DATE</u>	<u>DIFFERENCE</u>
1. Gross Revenues Collected				
2. Operation and Maintenance Expense				
3. Other Bond Debt Payments (including Reserve Fund deposits)				
4. SRF Bond Payments (include Reserve Fund deposits)				
5. Renewal and Replacement Fund Deposit				
6. Funds available for capital construction				

Witnesseth my signature this _____ day of _____, 19__.

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(TO BE PROVIDED BY DEP FOR EACH PROJECT)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, hereby certify that my firm is engineer for the acquisition and construction of _____ to the _____ system (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in _____ County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the _____ of the Issuer on _____, 19____, effective _____, 19____, and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated _____, 19____.

1. The Bonds are being issued for the purpose of _____ (the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least twenty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the _____ of the Issuer are sufficient to comply with the provisions

of Subsection 4.1(b) of the Loan Agreement, (vi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this _____ day of _____, 19____.

By _____

West Virginia License No. _____

[SEAL]

EXHIBIT E

[Special Conditions]

The recipient agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

EXHIBIT F

[Monthly Payment Form]

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

Re: [Name of bond issue]

Dear Sirs:

The following deposits were made to the West Virginia
Municipal Bond Commission on behalf of [Local Government] on
_____, ____.

Sinking Fund:

Interest \$ _____

Principal \$ _____

Total: \$ _____

Reserve Fund: \$ _____

Witness my signature this ____ day of _____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

We are bond counsel to _____
(the "Local Government"), a _____.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Local Government and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable _____ 1, _____ 1, _____ 1, and _____ 1 of each year, beginning _____ 1, 19__, at the respective rate or rates and with principal payable in installments on _____ 1 in each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

The Local Bonds are issued for the purpose of _____
_____ and paying certain issuance and other costs in
connection therewith.

We have also examined the applicable provisions of _____
_____ of the Code of West Virginia, 1931, as
amended (the "Local Statute"), and the bond _____ duly
enacted by the Local Government on _____ (the "Local

Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

4. The Local Government has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Local Government, payable from the net revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the net revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$ 3,000,000
Purchase Price of Bonds	\$ 3,000,000

Interest on the Bonds shall be zero percent ~~from the date of delivery to and including~~-----~~-----~~. Principal and interest on the Bonds is payable quarterly, commencing December 1, 1996, at a rate of 0% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has no other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds ~~or provide list of outstanding debt~~.

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Bond Commission. The Local Government shall instruct the Bond Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal ~~and interest~~ and such Bonds shall grant the Authority a first lien on the net revenues of the Local Government's system.

The Local Government may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

SCHEDULE Y

City of Salem \$3,000,000 0% Interest Rate and 1% Administrative Fee				
DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/1996	-	-	-	-
12/01/1996	37,500.00	-	-	37,500.00
3/01/1997	37,500.00	-	-	37,500.00
6/01/1997	37,500.00	-	-	37,500.00
9/01/1997	37,500.00	-	-	37,500.00
12/01/1997	37,500.00	-	-	37,500.00
3/01/1998	37,500.00	-	-	37,500.00
6/01/1998	37,500.00	-	-	37,500.00
9/01/1998	37,500.00	-	-	37,500.00
12/01/1998	37,500.00	-	-	37,500.00
3/01/1999	37,500.00	-	-	37,500.00
6/01/1999	37,500.00	-	-	37,500.00
9/01/1999	37,500.00	-	-	37,500.00
12/01/1999	37,500.00	-	-	37,500.00
3/01/2000	37,500.00	-	-	37,500.00
6/01/2000	37,500.00	-	-	37,500.00
9/01/2000	37,500.00	-	-	37,500.00
12/01/2000	37,500.00	-	-	37,500.00
3/01/2001	37,500.00	-	-	37,500.00
6/01/2001	37,500.00	-	-	37,500.00
9/01/2001	37,500.00	-	-	37,500.00
12/01/2001	37,500.00	-	-	37,500.00
3/01/2002	37,500.00	-	-	37,500.00
6/01/2002	37,500.00	-	-	37,500.00
9/01/2002	37,500.00	-	-	37,500.00
12/01/2002	37,500.00	-	-	37,500.00
3/01/2003	37,500.00	-	-	37,500.00
6/01/2003	37,500.00	-	-	37,500.00
9/01/2003	37,500.00	-	-	37,500.00
12/01/2003	37,500.00	-	-	37,500.00
3/01/2004	37,500.00	-	-	37,500.00
6/01/2004	37,500.00	-	-	37,500.00
9/01/2004	37,500.00	-	-	37,500.00
12/01/2004	37,500.00	-	-	37,500.00
3/01/2005	37,500.00	-	-	37,500.00
6/01/2005	37,500.00	-	-	37,500.00
9/01/2005	37,500.00	-	-	37,500.00
12/01/2005	37,500.00	-	-	37,500.00
3/01/2006	37,500.00	-	-	37,500.00
6/01/2006	37,500.00	-	-	37,500.00
9/01/2006	37,500.00	-	-	37,500.00
12/01/2006	37,500.00	-	-	37,500.00
3/01/2007	37,500.00	-	-	37,500.00
6/01/2007	37,500.00	-	-	37,500.00
9/01/2007	37,500.00	-	-	37,500.00
12/01/2007	37,500.00	-	-	37,500.00
3/01/2008	37,500.00	-	-	37,500.00
6/01/2008	37,500.00	-	-	37,500.00
9/01/2008	37,500.00	-	-	37,500.00
12/01/2008	37,500.00	-	-	37,500.00

Ferris, Baker Watts, Inc
Public Finance Department

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City of Salem
\$3,000,000
0% Interest Rate and 1% Administrative Fee

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2009	37,500.00	-	-	37,500.00
6/01/2009	37,500.00	-	-	37,500.00
9/01/2009	37,500.00	-	-	37,500.00
12/01/2009	37,500.00	-	-	37,500.00
3/01/2010	37,500.00	-	-	37,500.00
6/01/2010	37,500.00	-	-	37,500.00
9/01/2010	37,500.00	-	-	37,500.00
12/01/2010	37,500.00	-	-	37,500.00
3/01/2011	37,500.00	-	-	37,500.00
6/01/2011	37,500.00	-	-	37,500.00
9/01/2011	37,500.00	-	-	37,500.00
12/01/2011	37,500.00	-	-	37,500.00
3/01/2012	37,500.00	-	-	37,500.00
6/01/2012	37,500.00	-	-	37,500.00
9/01/2012	37,500.00	-	-	37,500.00
12/01/2012	37,500.00	-	-	37,500.00
3/01/2013	37,500.00	-	-	37,500.00
6/01/2013	37,500.00	-	-	37,500.00
9/01/2013	37,500.00	-	-	37,500.00
12/01/2013	37,500.00	-	-	37,500.00
3/01/2014	37,500.00	-	-	37,500.00
6/01/2014	37,500.00	-	-	37,500.00
9/01/2014	37,500.00	-	-	37,500.00
12/01/2014	37,500.00	-	-	37,500.00
3/01/2015	37,500.00	-	-	37,500.00
6/01/2015	37,500.00	-	-	37,500.00
9/01/2015	37,500.00	-	-	37,500.00
12/01/2015	37,500.00	-	-	37,500.00
3/01/2016	37,500.00	-	-	37,500.00
6/01/2016	37,500.00	-	-	37,500.00
9/01/2016	37,500.00	-	-	37,500.00
TOTAL	3,000,000.00	-	-	3,000,000.00

Ferris, Baker Watts, Inc
Public Finance Department

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YIELD STATISTICS

Accrued Interest from 09/01/1996 to 09/01/1996....	
Average Life.....	10.125 YEARS
Bond Years.....	30,375.00
Average Coupon.....	
Bond Yield for Arbitrage Purposes.....	1.0009790%
True Interest Cost (TIC).....	
Effective Interest Cost (EIC).....	1.0009790%

City of Salem
\$3,000,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
9/01/1996	-	-	-
12/01/1996	37,500.00	7,500.00	45,000.00
3/01/1997	37,500.00	7,406.25	44,906.25
6/01/1997	37,500.00	7,312.50	44,812.50
9/01/1997	37,500.00	7,218.75	44,718.75
12/01/1997	37,500.00	7,125.00	44,625.00
3/01/1998	37,500.00	7,031.25	44,531.25
6/01/1998	37,500.00	6,937.50	44,437.50
9/01/1998	37,500.00	6,843.75	44,343.75
12/01/1998	37,500.00	6,750.00	44,250.00
3/01/1999	37,500.00	6,656.25	44,156.25
6/01/1999	37,500.00	6,562.50	44,062.50
9/01/1999	37,500.00	6,468.75	43,968.75
12/01/1999	37,500.00	6,375.00	43,875.00
3/01/2000	37,500.00	6,281.25	43,781.25
6/01/2000	37,500.00	6,187.50	43,687.50
9/01/2000	37,500.00	6,093.75	43,593.75
12/01/2000	37,500.00	6,000.00	43,500.00
3/01/2001	37,500.00	5,906.25	43,406.25
6/01/2001	37,500.00	5,812.50	43,312.50
9/01/2001	37,500.00	5,718.75	43,218.75
12/01/2001	37,500.00	5,625.00	43,125.00
3/01/2002	37,500.00	5,531.25	43,031.25
6/01/2002	37,500.00	5,437.50	42,937.50
9/01/2002	37,500.00	5,343.75	42,843.75
12/01/2002	37,500.00	5,250.00	42,750.00
3/01/2003	37,500.00	5,156.25	42,656.25
6/01/2003	37,500.00	5,062.50	42,562.50
9/01/2003	37,500.00	4,968.75	42,468.75
12/01/2003	37,500.00	4,875.00	42,375.00
3/01/2004	37,500.00	4,781.25	42,281.25
6/01/2004	37,500.00	4,687.50	42,187.50
9/01/2004	37,500.00	4,593.75	42,093.75
12/01/2004	37,500.00	4,500.00	42,000.00
3/01/2005	37,500.00	4,406.25	41,906.25
6/01/2005	37,500.00	4,312.50	41,812.50
9/01/2005	37,500.00	4,218.75	41,718.75
12/01/2005	37,500.00	4,125.00	41,625.00
3/01/2006	37,500.00	4,031.25	41,531.25
6/01/2006	37,500.00	3,937.50	41,437.50
9/01/2006	37,500.00	3,843.75	41,343.75
12/01/2006	37,500.00	3,750.00	41,250.00
3/01/2007	37,500.00	3,656.25	41,156.25
6/01/2007	37,500.00	3,562.50	41,062.50
9/01/2007	37,500.00	3,468.75	40,968.75

Ferris, Baker Watts, Inc
Public Finance Department

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City of Salem
\$3,000,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
12/01/2007	37,500.00	3,375.00	40,875.00
3/01/2008	37,500.00	3,281.25	40,781.25
6/01/2008	37,500.00	3,187.50	40,687.50
9/01/2008	37,500.00	3,093.75	40,593.75
12/01/2008	37,500.00	3,000.00	40,500.00
3/01/2009	37,500.00	2,906.25	40,406.25
6/01/2009	37,500.00	2,812.50	40,312.50
9/01/2009	37,500.00	2,718.75	40,218.75
12/01/2009	37,500.00	2,625.00	40,125.00
3/01/2010	37,500.00	2,531.25	40,031.25
6/01/2010	37,500.00	2,437.50	39,937.50
9/01/2010	37,500.00	2,343.75	39,843.75
12/01/2010	37,500.00	2,250.00	39,750.00
3/01/2011	37,500.00	2,156.25	39,656.25
6/01/2011	37,500.00	2,062.50	39,562.50
9/01/2011	37,500.00	1,968.75	39,468.75
12/01/2011	37,500.00	1,875.00	39,375.00
3/01/2012	37,500.00	1,781.25	39,281.25
6/01/2012	37,500.00	1,687.50	39,187.50
9/01/2012	37,500.00	1,593.75	39,093.75
12/01/2012	37,500.00	1,500.00	39,000.00
3/01/2013	37,500.00	1,406.25	38,906.25
6/01/2013	37,500.00	1,312.50	38,812.50
9/01/2013	37,500.00	1,218.75	38,718.75
12/01/2013	37,500.00	1,125.00	38,625.00
3/01/2014	37,500.00	1,031.25	38,531.25
6/01/2014	37,500.00	937.50	38,437.50
9/01/2014	37,500.00	843.75	38,343.75
12/01/2014	37,500.00	750.00	38,250.00
3/01/2015	37,500.00	656.25	38,156.25
6/01/2015	37,500.00	562.50	38,062.50
9/01/2015	37,500.00	468.75	37,968.75
12/01/2015	37,500.00	375.00	37,875.00
3/01/2016	37,500.00	281.25	37,781.25
6/01/2016	37,500.00	187.50	37,687.50
9/01/2016	37,500.00	-	37,500.00
TOTAL	3,000,000.00	303,656.25	3,303,656.25

Ferris, Baker Watts, Inc
Public Finance Department

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SRF-LPA-1
(March 1994)

ADDENDUM TO LOAN AGREEMENT

THIS FIRST ADDENDUM TO THE WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement") dated May 18, 1995, made and entered into by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, and the CITY OF SALEM, a municipal corporation created pursuant to the laws of this State of West Virginia (the "Local Government").

W I T N E S S E T H:

WHEREAS, the Authority, DEP and the Local Government entered into a Loan Agreement on May 18, 1995, for the purpose of financing the acquisition and construction of certain additions, extensions and betterments to the Local Government's wastewater collection and treatment system (the "Project");

WHEREAS, following further review by DEP and Rural Economic and Community Development ("RECD") of the Project's financing arrangements, it was necessary to increase the SRF loan by \$150,000;

WHEREAS, such action by the DEP and RECD requires the modification of certain attachments to the Loan Agreement;

WHEREAS, no covenants, terms or representations contained in the Loan Agreement are being modified or rescinded hereby;

WHEREAS, the Authority and the DEP have approved the modified schedules as being consistent with the Application for the Project.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

Section 1. No Exhibits to the Loan Agreement are being amended hereby.

Section 2. Schedule X to the Loan Agreement is hereby replaced and superseded by Schedule X attached hereto and incorporated herein by reference.

Section 3. Schedule Y to the Loan Agreement is hereby replaced and superseded by Schedule Y attached hereto and incorporated herein by reference.

Section 4. All other terms of the Loan Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

CITY OF SALEM

(SEAL)

By: Thomas E. Moran
Its: Mayor

Attest:

Date: 6/1/95

M. Jane Young
Its: Recorder

WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION

By: Mark A. Stott
Its: Chief of Water Resources

Date: 6-5-95

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Lyubosky
Its: Director

Attest:

Date: May 31, 1995

Barbara B Meadows
Secretary-Treasurer

ABB0W1P1

APPROVED AS TO FORM PRIOR TO
ACKNOWLEDGMENT THEREOF, THIS

25th day of February 1994
DANIEL N. M. [unclear]
By: Dawn E. Wayfield
DEPUTY ATTORNEY GENERAL

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$ 3,150,000
Purchase Price of Bonds	\$ 3,150,000

Interest on the Bonds shall be zero percent ~~from the date of delivery to and including~~-----~~-----~~. Principal and interest on the Bonds is payable quarterly, commencing December 1, 1996, at a rate of 0% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has no other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds ~~or provide list of outstanding debt~~.

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Bond Commission. The Local Government shall instruct the Bond Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal ~~and interest~~ and such Bonds shall grant the Authority a first lien on the net revenues of the Local Government's system.

The Local Government may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

SCHEDULE Y

City of Salem \$3,150,000 0% Interest Rate and 1% Administrative Fee DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/1996	-	-	-	-
12/01/1996	39,375.00	-	-	39,375.00
3/01/1997	39,375.00	-	-	39,375.00
6/01/1997	39,375.00	-	-	39,375.00
9/01/1997	39,375.00	-	-	39,375.00
12/01/1997	39,375.00	-	-	39,375.00
3/01/1998	39,375.00	-	-	39,375.00
6/01/1998	39,375.00	-	-	39,375.00
9/01/1998	39,375.00	-	-	39,375.00
12/01/1998	39,375.00	-	-	39,375.00
3/01/1999	39,375.00	-	-	39,375.00
6/01/1999	39,375.00	-	-	39,375.00
9/01/1999	39,375.00	-	-	39,375.00
12/01/1999	39,375.00	-	-	39,375.00
3/01/2000	39,375.00	-	-	39,375.00
6/01/2000	39,375.00	-	-	39,375.00
9/01/2000	39,375.00	-	-	39,375.00
12/01/2000	39,375.00	-	-	39,375.00
3/01/2001	39,375.00	-	-	39,375.00
6/01/2001	39,375.00	-	-	39,375.00
9/01/2001	39,375.00	-	-	39,375.00
12/01/2001	39,375.00	-	-	39,375.00
3/01/2002	39,375.00	-	-	39,375.00
6/01/2002	39,375.00	-	-	39,375.00
9/01/2002	39,375.00	-	-	39,375.00
12/01/2002	39,375.00	-	-	39,375.00
3/01/2003	39,375.00	-	-	39,375.00
6/01/2003	39,375.00	-	-	39,375.00
9/01/2003	39,375.00	-	-	39,375.00
12/01/2003	39,375.00	-	-	39,375.00
3/01/2004	39,375.00	-	-	39,375.00
6/01/2004	39,375.00	-	-	39,375.00
9/01/2004	39,375.00	-	-	39,375.00
12/01/2004	39,375.00	-	-	39,375.00
3/01/2005	39,375.00	-	-	39,375.00
6/01/2005	39,375.00	-	-	39,375.00
9/01/2005	39,375.00	-	-	39,375.00
12/01/2005	39,375.00	-	-	39,375.00
3/01/2006	39,375.00	-	-	39,375.00
6/01/2006	39,375.00	-	-	39,375.00
9/01/2006	39,375.00	-	-	39,375.00
12/01/2006	39,375.00	-	-	39,375.00
3/01/2007	39,375.00	-	-	39,375.00
6/01/2007	39,375.00	-	-	39,375.00
9/01/2007	39,375.00	-	-	39,375.00
12/01/2007	39,375.00	-	-	39,375.00
3/01/2008	39,375.00	-	-	39,375.00
6/01/2008	39,375.00	-	-	39,375.00
9/01/2008	39,375.00	-	-	39,375.00
12/01/2008	39,375.00	-	-	39,375.00

Ferris, Baker Watts, Inc
 Public Finance Department

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City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2009	39,375.00	-	-	39,375.00
6/01/2009	39,375.00	-	-	39,375.00
9/01/2009	39,375.00	-	-	39,375.00
12/01/2009	39,375.00	-	-	39,375.00
3/01/2010	39,375.00	-	-	39,375.00
6/01/2010	39,375.00	-	-	39,375.00
9/01/2010	39,375.00	-	-	39,375.00
12/01/2010	39,375.00	-	-	39,375.00
3/01/2011	39,375.00	-	-	39,375.00
6/01/2011	39,375.00	-	-	39,375.00
9/01/2011	39,375.00	-	-	39,375.00
12/01/2011	39,375.00	-	-	39,375.00
3/01/2012	39,375.00	-	-	39,375.00
6/01/2012	39,375.00	-	-	39,375.00
9/01/2012	39,375.00	-	-	39,375.00
12/01/2012	39,375.00	-	-	39,375.00
3/01/2013	39,375.00	-	-	39,375.00
6/01/2013	39,375.00	-	-	39,375.00
9/01/2013	39,375.00	-	-	39,375.00
12/01/2013	39,375.00	-	-	39,375.00
3/01/2014	39,375.00	-	-	39,375.00
6/01/2014	39,375.00	-	-	39,375.00
9/01/2014	39,375.00	-	-	39,375.00
12/01/2014	39,375.00	-	-	39,375.00
3/01/2015	39,375.00	-	-	39,375.00
6/01/2015	39,375.00	-	-	39,375.00
9/01/2015	39,375.00	-	-	39,375.00
12/01/2015	39,375.00	-	-	39,375.00
3/01/2016	39,375.00	-	-	39,375.00
6/01/2016	39,375.00	-	-	39,375.00
9/01/2016	39,375.00	-	-	39,375.00
TOTAL	3,150,000.00	-	-	3,150,000.00

Ferris, Baker Watts, Inc
Public Finance Department

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YIELD STATISTICS

Accrued Interest from 09/01/1996 to 09/01/1996...	-
Average Life.....	10.125 YEARS
Bond Years.....	31,893.75
Average Coupon.....	-
Bond Yield for Arbitrage Purposes.....	-
True Interest Cost (TIC).....	-
Effective Interest Cost (EIC).....	1.0009790%

City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
9/01/1996	-	-	-
12/01/1996	39,375.00	7,875.00	47,250.00
3/01/1997	39,375.00	7,776.56	47,151.56
6/01/1997	39,375.00	7,678.13	47,053.13
9/01/1997	39,375.00	7,579.69	46,954.69
12/01/1997	39,375.00	7,481.25	46,856.25
3/01/1998	39,375.00	7,382.81	46,757.81
6/01/1998	39,375.00	7,284.38	46,659.38
9/01/1998	39,375.00	7,185.94	46,560.94
12/01/1998	39,375.00	7,087.50	46,462.50
3/01/1999	39,375.00	6,989.06	46,364.06
6/01/1999	39,375.00	6,890.63	46,265.63
9/01/1999	39,375.00	6,792.19	46,167.19
12/01/1999	39,375.00	6,693.75	46,068.75
3/01/2000	39,375.00	6,595.31	45,970.31
6/01/2000	39,375.00	6,496.88	45,871.88
9/01/2000	39,375.00	6,398.44	45,773.44
12/01/2000	39,375.00	6,300.00	45,675.00
3/01/2001	39,375.00	6,201.56	45,576.56
6/01/2001	39,375.00	6,103.13	45,478.13
9/01/2001	39,375.00	6,004.69	45,379.69
12/01/2001	39,375.00	5,906.25	45,281.25
3/01/2002	39,375.00	5,807.81	45,182.81
6/01/2002	39,375.00	5,709.38	45,084.38
9/01/2002	39,375.00	5,610.94	44,985.94
12/01/2002	39,375.00	5,512.50	44,887.50
3/01/2003	39,375.00	5,414.06	44,789.06
6/01/2003	39,375.00	5,315.63	44,690.63
9/01/2003	39,375.00	5,217.19	44,592.19
12/01/2003	39,375.00	5,118.75	44,493.75
3/01/2004	39,375.00	5,020.31	44,395.31
6/01/2004	39,375.00	4,921.88	44,296.88
9/01/2004	39,375.00	4,823.44	44,198.44
12/01/2004	39,375.00	4,725.00	44,100.00
3/01/2005	39,375.00	4,626.56	44,001.56
6/01/2005	39,375.00	4,528.13	43,903.13
9/01/2005	39,375.00	4,429.69	43,804.69
12/01/2005	39,375.00	4,331.25	43,706.25
3/01/2006	39,375.00	4,232.81	43,607.81
6/01/2006	39,375.00	4,134.38	43,509.38
9/01/2006	39,375.00	4,035.94	43,410.94
12/01/2006	39,375.00	3,937.50	43,312.50
3/01/2007	39,375.00	3,839.06	43,214.06
6/01/2007	39,375.00	3,740.63	43,115.63
9/01/2007	39,375.00	3,642.19	43,017.19

Ferris, Baker Watts, Inc
Public Finance Department

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City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
12/01/2007	39,375.00	3,543.75	42,918.75
3/01/2008	39,375.00	3,445.31	42,820.31
6/01/2008	39,375.00	3,346.88	42,721.88
9/01/2008	39,375.00	3,248.44	42,623.44
12/01/2008	39,375.00	3,150.00	42,525.00
3/01/2009	39,375.00	3,051.56	42,426.56
6/01/2009	39,375.00	2,953.13	42,328.13
9/01/2009	39,375.00	2,854.69	42,229.69
12/01/2009	39,375.00	2,756.25	42,131.25
3/01/2010	39,375.00	2,657.81	42,032.81
6/01/2010	39,375.00	2,559.38	41,934.38
9/01/2010	39,375.00	2,460.94	41,835.94
12/01/2010	39,375.00	2,362.50	41,737.50
3/01/2011	39,375.00	2,264.06	41,639.06
6/01/2011	39,375.00	2,165.63	41,540.63
9/01/2011	39,375.00	2,067.19	41,442.19
12/01/2011	39,375.00	1,968.75	41,343.75
3/01/2012	39,375.00	1,870.31	41,245.31
6/01/2012	39,375.00	1,771.88	41,146.88
9/01/2012	39,375.00	1,673.44	41,048.44
12/01/2012	39,375.00	1,575.00	40,950.00
3/01/2013	39,375.00	1,476.56	40,851.56
6/01/2013	39,375.00	1,378.13	40,753.13
9/01/2013	39,375.00	1,279.69	40,654.69
12/01/2013	39,375.00	1,181.25	40,556.25
3/01/2014	39,375.00	1,082.81	40,457.81
6/01/2014	39,375.00	984.38	40,359.38
9/01/2014	39,375.00	885.94	40,260.94
12/01/2014	39,375.00	787.50	40,162.50
3/01/2015	39,375.00	689.06	40,064.06
6/01/2015	39,375.00	590.63	39,965.63
9/01/2015	39,375.00	492.19	39,867.19
12/01/2015	39,375.00	393.75	39,768.75
3/01/2016	39,375.00	295.31	39,670.31
6/01/2016	39,375.00	196.88	39,571.88
9/01/2016	39,375.00	-	39,375.00
TOTAL	3,150,000.00	318,839.06	3,468,839.06

Ferris, Baker Watts, Inc
Public Finance Department

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1
UNITED STATES
DEPARTMENT OF
AGRICULTURE

FARMERS
HOME
ADMINISTRATION

Bond Counsel
1000 Fairmont Avenue
Fairmont, WV 26554
Phone: 304/363-6722

Honorable Donna Faye Stewart
Mayor, City of Salem
P. O. Box 352
Salem, WV 26426

Dec. 13, 1991

Dear Mayor Stewart:

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 FmHA by written amendment to this letter. Any changes not approved by FmHA shall be cause for discontinuing processing of the application.

The 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 FmHA loan not to exceed \$2,000,000, an FmHA grant not to exceed \$750,000 and other funding in the amount of \$3,500,000 for a total project cost of \$6,250,000. This other funding is planned in a form of a loan from the West Virginia State revolving Fund in the amount of \$2,750,000, and a Small Cities Block Grant in the amount of \$750,000.

If FmHA makes the loan, 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 FmHA 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 FmHA 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 - Final Project Planning Factors
(All Copies)
- Attachment No. 2 - Loan and Grant Docket
Table of Contents (All Copies)
- Attachment No. 3 - FmHA Instruction 1942-A, Section 1942.17
(Applicant Copy)

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- Attachment No. 4 - FmHA Instruction 1942-A, Section 1942.18
(Engineer Copy)
- Attachment No. 5 - FmHA Instruction 1942-A, Section 1942.19
(Attorney and Bond Counsel Copies)
- Attachment No. 6 - FmHA Supplemental General Conditions
(Engineer Copy)
- Attachment No. 7 - Standards for Audit of Governmental
Organizations, Programs, Activities and Functions
(Accountant's Copy)
- Attachment No. 8 - Sewer Users Agreement (Applicant and
Attorney Copies)
- Attachment No. 9 - Declination Statement (Applicant and
Attorney Copies)
- Attachment No. 10 - Sample Credit Agreement (Applicant and
Attorney Copies)
- Attachment No. 11 - Various other FmHA Forms as identified
on Attachment No. 2

You must enter into agreements for engineering and legal services associated with the project. Typical costs customary to this size project have been included in the project planning factors. Any costs associated with engineering or legal services above the allocated amount will be the responsibility of the City.

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 5% interest rate and a monthly amortization factor of .00491 which provides for a monthly payment of \$9,820. 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 FmHA loan, in whole or in part, upon the request of FmHA if at anytime 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 equal priority with the State Revolving Fund loan (\$2,750,000) and junior only to the City's 1968 outstanding bond issue, a pledge of the system's revenues and other agreements between you and the lender (FmHA) 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 Form FmHA 1942-31 and Form FmHA 1942-47 which are mentioned later.
3. Users - This conditional commitment is based upon your providing evidence that you will have at least 850 bona fide users on the system when it has been completed and is placed in operation. This evidence will consist of signed users agreements from 163 new users on the proposed system and a certification from you that identifies and attests to the number of users (683) that are actually connected to and using the authority's existing sewer system, which is to be partially 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 new user signing an agreement must make a users contribution of \$50.00. 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. Guide 3, FmHA Instruction 1942-A, "Service Declination Statement," a copy of which is enclosed, must be used. If a potential user refuses to sign either a users agreement or a declination statement, the individual making the contact for the authority 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 FmHA 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 (for the new users), (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 and identifying it by number, (6) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (5) above and, (7) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (5) above.

The user contribution will not be considered to be a tap fee, a connection fee or a user assessment. It will be an initial contribution only from the signer and it will not be paid for the user by any other source. It may at some later time be reimbursed to the user by a source other than the District at the option of that other source.

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 Section 1942.19 of FmHA Instruction 1942-A. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. 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 deed, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form FmHA 427-9, "Preliminary Title Opinion," may be used. Also, in the case of existing systems or where the authority has 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 copy of the right-of-way easements for any rights-of-way needed on private lands. Form FmHA 442-20, "Right-of-Way Easement," may be used. Each easement need not be provided this office; however, each must be available for my review. A copy of the easement being used must be provided.
 - e. A certification and legal opinion relative to title to rights-of-way and easements Form FmHA 442-21, "Right-of-Way Certificate," and Form FmHA 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. These forms 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, new Forms, FmHA 442-21 and 442-22, must be provided which do not provide for any exceptions.

f. On the day of loan closing, the authority's attorney must furnish final title opinions on all land(s) being acquired. In the case of existing systems or where the authority has already acquired real property(s) (land or facilities), the authority's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

6. Permits - Copies of all permits needed for the project must be provided for our 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 Natural Resources
- Corps of Engineers
- Public Land Corporation

7. 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 FmHA. If it is determined the authority's present certificate is adequate, written evidence of that fact must be provided FmHA. The authority must properly develop, adopt, 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 planning factors (Attachment No. 1). The draft rate ordinance must be provided for FmHA review and concurrence prior to its adoption.

It should be clearly understood that the rates and rate related information included in Attachment No. 1 hereto, were developed based on the information provided by you and your engineer and that it is presented as a minimum requirement only.

You, your accountant and engineer must determine that the rates and necessary rate related information which is to be included in the rate ordinance is acceptable to EPA and includes necessary information to meet all EPA requirements in connection therewith, i.e., industrial costs recovery, surcharge for excessive strength sewage, etc.

Additionally, in the event it is determined that there will be certain users on the sewer system that are not users on the authority's water system, it will be necessary for the rate ordinance to include a "flat rate" schedule to cover those user's. The minimum "flat rate" will not be less than the minimum bill shown on the project planning factors (Attachment No. 1).

8. Accounting - You must obtain the services of a qualified accountant. That accountant must agree (by letter) to develop and provide the following:
- a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42).
 - b. Prior to advertisement for bids, your accountant must state in writing that he will establish your accounts and records in accordance with the requirements of the ordinance, and the requirements of the Public Service Commission within 20 days from the notice to do such.
 - c. Prior to the start of construction, the accountant must certify that the accounts and records as required in (b) above have been established and are operational.

A representative of my office will review your accounts and records prior to authorizing the issuance of award(s) to the contractor(s).

FmHA regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your authority. The attached booklet, "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," (Attachment No. 7) outlines FmHA Audit requirements. You are reminded that certain provisions of Office and Management and Budget Circular A-128 are applicable to any public body that received \$100,000 or more in federal funds in any one year. You must enter into an agreement annually with an accountant (or the State Tax Commission) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia.

Audit Reports must be prepared to comply with the requirements of OMB Circular A-128 or A-110, as applicable.

9. Insurance and Bonding Requirements:

- a. Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:
 - (1) 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. FmHA recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.

- (2) Workers' Compensation - In accordance with appropriate State laws.
- (3) 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 FmHA will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s). Form FmHA 440-24, "Position Fidelity Bond," may be used. A certified and effective dated power-of-attorney will be attached to each bond.
- (4) 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:
 - (a) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (b) 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.
- (5) 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.

10. You are, or have been approved to become, a recipient of Federal financial assistance from the United States Department of Agriculture. In the case of Paralyzed Veterans of America, et al, Plaintiff, V. William French Smith, et al, Defendants, United States District Court, Central District of California, No. 79-1979 WPG, the Honorable William P. Gray ordered the United States Department of Agriculture to notify you that as a recipient of such assistance you are required to comply with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794), even though the United States Department of Agriculture has not yet issued final regulations implementing Section 504 of the Rehabilitation Act.

Section 504 of the Rehabilitation Act is designed to assure that those who receive Federal financial assistance will not discriminate against handicapped persons. It provides in relevant part as follows:

"No otherwise qualified handicapped individual in the United States. . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Effective June 3, 1977, the Department of Health and Human Services issued final regulations implementing Section 504 as it applies to recipients of Federal financial assistance from that agency (45 C.F.R. Part 84). You may look to the HHS regulation for guidance as to your obligation under Section 504 of the Rehabilitation Act.

11. Contract Documents, Final Plans and Specifications:

a. The contract documents should consist of the following:

- (1) FmHA Instruction 1942-A, Guide 19, "Agreement," and Attachments 1-9. (Attachment No. 4) or other agreement approved by FmHA.
- (2) Farmers Home Administration Supplemental General Conditions (Guide 18, 7-1-86 Revised WV). One copy of this item is attached hereto (Attachment No. 6). 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 authority and its engineer.) FmHA Guide 18 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 FmHA for approval.

- d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.
 - e. The design/build firm must obtain a written certification of design from the U. S. Department of Health and Human Services, Public Health Service. The certification must evidence that the proposed facility meets standards for design and construction, as required in the Department's current publication, "Guidelines for Construction and Equipment of Hospital and Medical Facilities." The facility must be designed to be in accordance with the Architectural Barriers Act of 1968.
12. Interim Financing - Interim financing will be used for the FmHA loan if it is available at reasonable rates and terms. You must provide FmHA with a copy of the tentative agreement reached in connection with interim financing. The enclosed Sample Credit Agreement (Attachment No. 10) is an acceptable agreement and may be used.
 13. Disbursement of Funds - The FmHA funds will be advanced as they are needed in the amounts necessary to cover FmHA's proportionate share of any disbursements required of your authority, 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-110. Interest earned on these funds must be remitted promptly, at least quarterly, to the Farmers Home Administration.
 14. 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.
 15. As we have discussed with City personnel, the high dollar amounts of accounts receivable, the high unaccounted for water loss, and the irregularity of monthly payments on the FmHA financed water system is of great concern to FmHA. Therefore, prior to authorizing the project to be bid for construction, we will review the progress made towards the reduction of accounts receivable, reducing water losses, and the status of making monthly payments on a regular basis. There must be substantial improvement in all three areas prior to authorizing the project to be bid for use of FmHA funds.
 16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form FmHA 442-7 - Initial Operating Budget
Form FmHA 1940-1 - Request for Obligation of Funds
Form FmHA 1942-31 - Association Water or Sewer System Grant Agreement
Form FmHA 1942-47 - Loan Resolution
Form FmHA 400-1 - Equal Opportunity Agreement
Form FmHA 400-4 - Assurance Agreement
Form AD 1047 - Certification Regarding Debarment - Primary
Form AD 1049 - Certification Regarding Drug-Free Workplace
Form FmHA 1910-11 - Applicant Certification, Federal Collection Policies

17. The enclosed Loan 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 FmHA 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, FmHA 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 FmHA 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.
19. When the items required by Item 17 have been received by the FmHA State Office, they will be included in the loan docket. 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 preliminary loan closing will be scheduled.

Attached is a copy of Form FmHA 1942-31, "Association Water and Sewer 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 FmHA project funds will be considered to be FmHA grant funds and refunded to FmHA. If the amount of unused FmHA project funds exceeds the FmHA grant, that part would be FmHA loan funds.

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.

Please complete and return the enclosed Form FmHA 442-46, "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, FmHA 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, FmHA reserves the right to require that it be revised or replaced.

Sincerely yours,

David R. Nicholson
District Director

cc: Administrator, FmHA
Attn: Water and Waste
Disposal Division
Washington, DC

County Supervisor, Mt. Clare

Attorney

Bond Counsel

State Director, FmHA
Morgantown, WV

Kanakanui Associates

Accountant

Attachment No. 1 to Letter of Conditions
 Dated:
 For: City of Salem

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of FmHA:

<u>Project Costs</u>	<u>SCBG Grant</u>	<u>SRF Loan</u>	<u>FmHA Grant</u>	<u>FmHA Loan</u>	<u>Total</u>
Construction	\$710,000	\$2,750,000	\$750,000	\$168,500	\$4,378,500
Construction Contg				438,000	438,000
Land and Rights				90,000	90,000
Legal and Admin Fees	40,000			35,000	75,000
Engineering Fees				726,500	726,500
Basic \$311,500					
Insp. 415,000					
Spec.					
Bond Counsel				30,000	30,000
Interest				222,000	222,000
Proj. Contg.				290,000	290,000
TOTALS	\$750,000	\$2,750,000	\$750,000	\$2,000,000	\$6,250,000

Rates (Based on water usage)

Minimum Charge

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 sewer 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 sewer bills have been paid in full and all accrued penalties plus a water reconnection charge have been paid.

Connection Charge

Prior to Construction - \$50.00

After the start of construction, there shall be a charge of \$300.00 for connection to the system.

Budget

Income \$497,646.00

Expenses

O & M \$135,000.00
*Debt Service 327,236.00
**Reserve 35,384.00 \$497,620.00

Balance and Depreciation \$ 26.00

Operating and Maintenance Expenses

Wages - Salaries \$56,000.00
Office Expenses (telephone, rent, supplies) 5,000.00
Taxes, Insurance, Bonds 3,000.00
Fees (accounting, audit, legal) 4,000.00
Utilities (electric, water, sewer, gas, fuel oil) 14,300.00
Repair to Facilities and Equipment 9,000.00
Fuel - Gasoline - Oil 6,700.00
Miscellaneous Material and Supplies 29,000.00
Reading, Billing and Collection 8,000.00

TOTAL \$135,000.00

*Debt Service

FmHA \$117,840.00
SRF 183,156.00
Existing 26,240.00 (High year)

** Reserve

FmHA \$ 11,784.00
SRF 18,316.00
Existing 5,284.00 (20 Percent)

CITY SALEM

Rates - Available for general domestic, commercial, and industrial service

First 2,000	Gallons / Month @	\$7.50 / 1,000	Gallons
Next 3,000	Gallons / Month @	\$7.00 / 1,000	Gallons
Next 5,000	Gallons / Month @	\$6.50 / 1,000	Gallons
Next 10,000	Gallons / Month @	\$6.00 / 1,000	Gallons
Next 30,000	Gallons / Month @	\$5.50 / 1,000	Gallons
Over 50,000	Gallons / Month @	\$5.00 / 1,000	Gallons

Minimum Bill = \$15.00 for 2,000 gallons

Minimum Bill: No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8"x3/4"	meter	\$15.00
3/4"	meter	\$22.50
1"	meter	\$37.50
1 1/2"	meter	\$75.00
2"	meter	\$120.00
3"	meter	\$225.00
4"	meter	\$375.00
6"	meter	\$750.00
8"	meter	\$1,200.00

Use and Income Analysis

211 users @	2,000 gal @	\$15.00 per user equals	\$3,165.00 monthly
209 users @	3,000 gal @	\$22.00 per user equals	\$4,598.00 monthly
120 users @	4,000 gal @	\$29.00 per user equals	\$3,480.00 monthly
100 users @	5,000 gal @	\$36.00 per user equals	\$3,600.00 monthly
55 users @	6,000 gal @	\$42.50 per user equals	\$2,337.50 monthly
40 users @	7,000 gal @	\$49.00 per user equals	\$1,960.00 monthly
25 users @	8,000 gal @	\$55.50 per user equals	\$1,387.50 monthly
15 users @	9,000 gal @	\$62.00 per user equals	\$930.00 monthly
30 users @	10,000 gal @	\$68.50 per user equals	\$2,055.00 monthly
25 users @	15,000 gal @	\$98.50 per user equals	\$2,462.50 monthly
10 users @	25,000 gal @	\$156.00 per user equals	\$1,560.00 monthly
4 users @	50,000 gal @	\$293.50 per user equals	\$1,174.00 monthly
2 users @	100,000 gal @	\$543.50 per user equals	\$1,087.00 monthly
1 users @	200,000 gal @	\$1,043.50 per user equals	\$1,043.50 monthly
2 users @	500,000 gal @	\$2,543.50 per user equals	\$5,087.00 monthly
1 users @	1,100,000 gal @	\$5,543.50 per user equals	\$5,543.50 monthly

850

\$41,470.50

Total monthly x 12 = \$497,646.00

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION
 Table of Contents
 Preapplication, Applications - Complete Docket
 Association Loans and Grants
 Water and Sewer Systems

PREAPPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
AD 621	Preapp. for Fed. Assist.	0 & 2	1942.2(a)(1)	App.			3
	Intergovernmental Review	2	1942.2(a)(1)	App.			3
Guide 7/8	Preliminary Engr. Report	2	1942.18(c)	Engr.			6
	Bond Ordn. or Resol. on Outstanding Debts	1	1942.17(h)	App./Att.			2
	Audit for last year of operation	1	1942.17(h)	App./Att.			1
1940-20	Request for Env. Info.	2	1942.17(J)(7)	App./Eng.			3
AD 1049	Certification Regarding Drug-Free Workplace	1	1940-M 1940.606(b)(2)	App			5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App			5
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1942.17(J)(7)	FmHA			3

PREAPPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Statement from State Historical Preservation Office concerning historical sites and archeological properties	2	1940.304(d)	App.			3
	Brief Stmt. telling how facility will be operated	1	1942.17(b)(3)	App.			5
	List of users by name expected to use over 20,000 gals. per mo.	2	1942.17(h)(2)	App./Engr.			8
	List of users by number which will have a meter larger than 3/4 x 5/8 and also expected total consumption by these users	2	Preapp/Packet	App./Engr.			8
	Breakdown of planned cost to show that cost related to users with meters larger than 3/4 x 5/8		Preapp/packet	Engr.			8
	Copy of existing rate tariff	2	1942.17(h)	App./Atty/Acct.			8
	Bill analysis for existing system(s)	2	1942.17(h)(2)	App./Engr/Acct.			8
	Projected Bill analysis for new users	2	1942.17(h)(2)	App./Engr/Acct.			8

PREAPPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Adjustments to historic income and cost-explain changes	2	1942.17(h)(i)	App./Engr/Acct.			8
	Identification of "Other" funding	2	1942.17(n)(5)	App./Att.			2
	Statement reporting the <u>total</u> number of <u>potential</u> users		1942.17(h)(2)(i)(A)	App./Engr/Acct.			8
1942-19	Agreement for Engineering Services	3	1942.17(l)(1)	App./Engr.			6
	Legal Services Agreement		Guide 14 1942.17(l)(1)	App./Engr.			5
	Documentation on Service Area	1	1942.5(a)	FmHA			3
	Written Certification that "Other" credit is <u>NOT</u> available	2	1942.17(b)(2)	App.			3
	Documentation on Historical and Archeological Assessments	2	1901.255(2)	FmHA			3
	Copy of Certification of Publication and related Environmental Information	2	1940.331(c)	App.			3

PREAPPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Project Planning Factors	4	S/Office	FmHA			3
1942-51	Development Grant Summary	3	1942-H	FmHA			2
	Grant Determination Worksheet	2	S/Office	FmHA			3
	Finding of No Significant Impact (FONSI)	2	1940-G	FmHA			3
	Evidence of Public Meeting Minutes	2	1942.17 (J)(9)	App.			3

APPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
AD 622	Notice of Preapplication Review	Ø & 3	1942.17(m)(4)	FmHA			3
AD 624	Application for Federal Assistance	Ø & 1	1942.17(m)(5)	App.			3
1942-45	Project Summary	Ø & 2	1942.5(a)(1)	FmHA			1
442-3	Balance Sheet	Ø & 1	1942.17(h)	App.			1
442-7	Operating Budget	Ø & 2	1942.17(h)	App.			3
1942-14	Project Fund Analysis	Ø & 4	1942.5(c)	FmHA			2
	Certified Copy of Town Charter	1	1942.17(b)(3)	App./Att.			5
	Copy of Bylaws or Rules of Order	1	1942.17(b)(3)	App./Att.			5
	Appraisal Report	1	1942.3	App.			8
Guide 26	CP Program Project Selection Criteria	2	1942-A	FmHA			2

DUCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Letter of Conditions	7	1942.5(c)	FmHA			3
1942-46	Letter of Intent to Meet Conditions	2	1942.5(c)	App.			3
1940-1	Request for Obligation of Funds	4	1942.5(c)(3)	FmHA/App.			2
	Written Request from Applicant for the Lower Interest Rate	2	1942.17(f)(1)	FmHA/App.			2
1942-31	Association Water or Sewer System Grant Agreement	2	1942-H	FmHA/App.			2
	Evidence of "Other" Funds	1	1942.17(n)(5)	App.			2
	Water (Sewer) Users Agreement (Copy)	1	1942.17(h)(2)(B)	App.			5
AD 1047	Certification Regarding Debarment (Primary)	1	1940-M 1940.606 (b)(1)	App.			5
AD 1048	Certification Regarding Debarment (Contractor)	1 ea	1940-M 1940.606 (b)(1)	All Appropriate Vendors			5
1910-11	Applicant Certification Federal Collection Policies	1	1942.5(a)(1)(i)	App			3

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Evidence of Users:						
	1. Map of Users with each	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	1942.17(h)(2)(iii)	App.			5
	Verification of Users	1	1942.6(b)	FmHA			3
	Preliminary Bond Transcr. Documents w/no Defeasance Provisions	2	1942.17(j)(6)(ii)	B. Counsel			2

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Right-of-Way Map	1	Form FmHA 1942-19	Engr.			Sep. File
	Deeds and/or Options		1942.17(J) (4)(i)	App./Att.			
427-9	Preliminary Title Opn.	1	1942.17 (J)(4)(i)	App./Att.			5
	Narrative Opinion from Attorney	1	LOC	Att.			5
442-20	Right-of-Way Easement	1	1942.17 (J)(4)(i)	App.			5
442-21	Right-of-Way Certificate	1	1942.17 (J)(4)(i)	App.			5
442-22	Opinion of Counsel Relative to R/Way		1942.17 (J)(4)(i)	Att.			5
1942-47	Loan Resolution	1	1942.17(n) (2)	App.			5
	Application for DOH Permit	1	1942.17 (J)(4)(i)	Engr.			6
	Application for R/R Permit		1942.17 (J)(4)(i)	Engr.			6
	Application for Public Land Corp. Permit	1	1942.17 (J)(4)(i)	Engr.			6

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Application for Corps of Engineers Permit	1	1942.17 (j)(4)(i)	Engr.			6
	Copy of PSC Application	1	State	Att./Acct.			6
	Copy of PSC Rule 42 Exhibit	1	State	Att./Acct.			3
	Agreement with Accountant	1	1942.17 (1)(1)	App./Acct.			6
	Contract Documents, Plans and Specs.	2	1942.18	Engr.			Sep. File
	Dept. of Health Approval	1	1942.17(i) (iv)	Engr.			6
	Dept. of Natural Resource Permit	1	1942.17(k)	Engr.			6
	Interim Financing Agreement	1	1941.17(n) (3)	App./Att			1
400-1	Equal Opportunity Agreement		1942.17 (n)(2)(x)	App.			6
400-4	Assurance Agreement		1942.17 (n)(2)(x)	App.			3
	Bond Transcript Documents w/no Defeasance Provisions		1942.17 (j)(6)(ii)	B.Counsel			Sep. file

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Records of Mailing of Bonds		2018-E 2018.203	FmHA			1
	OGC Closing Instructions	1	1942.17(n) (3)	FmHA			5
	S/O Closing Instructions	1	1942.17(n) (3)	FmHA			5
427-10	Final Title Opinion	1	1942.17 (j)(4)(i)	Att.			5
	DOH Permit	1	1942.17 (j)(4)(i)	App.			6
	Railroad Permits	1	1942.17 (j)(4)(i)	App.			6
	Public Land Corp. Permit	1	1942.17 (j)(4)(i)	App.			6
	Corps of Engrs. Permit	1	1942.17 (j)(4)(i)	App.			6
	PSC Order (Approval of Financing)	1	State	App.			6
	Accountant's Certification on Accounting System	1	1942.17 (q)(1)	Acct.			3
	FmHA Approval of Account System		1942.17 (Q)(1)(ii)	App./FmHA			3
400-8	Comp. Review	1	1942.6(c)	FmHA			5
1924-16	Record of Preconstruction Conference	1	1942.18 (o)(1)	FmHA/Engr.			6

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Bid Tabulation	1	1942.18(k)	Engr.			6
	Recommendation of Award	1	1942.18(j) (8)	Engr.			6
	Recommendation of Award	1	1942.18(j) (8)	App			6
	Contract Documents with required Ins. and Bonds	2		App./Engr.			Sep. File
	Resume' of Inspector	1	1942.18(o)(3)	Engr.			6
	Liability Insurance		1942.17 (j)(3)(iv)	App.			7
	Workers' Compensation Certificate	1	1942.17 (j)(3)(iv)	App.			7
	Flood Insurance Policy	1	1942.17 (j)(3)(iv)	App.			7
440-24	Fidelity Bond (with Power of Attorney)	1	1942.17 (j)(3)(iv)	App.			7
	OGC Final Opinion	1	1942.17 (o)(4)	FmHA			5

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§1942.19 Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants.

(a) General. This section includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, herein referred to as bonds). This section is made available to applicants as appropriate for application processing and loan docket preparation.

(b) Policies related to use of bond counsel. Preparation of the bonds and the bond transcript documents will be the responsibility of the applicant. Public body applicants will obtain the services and opinion of recognized bond counsel with respect to the validity of a bond issue, except as provided in (b)(1) through (3) below. The applicant normally will be represented by a local attorney who will obtain the assistance of a recognized bond counsel firm which has experience in municipal financing with such investors as investment dealers, banks, and insurance companies.

(1) Issues of \$250,000 or less. At the option of the applicant for issues of \$250,000 or less, bond counsel may be used for the issuance of a final opinion only and not for the preparation of the bond transcript and other documents when the applicant, FmHA, and bond counsel have agreed in advance as to the method of preparation of the bond transcript documents. Under such circumstances the applicant will be responsible for the preparation of the bond transcript documents.

(2) Issues of \$50,000 or less. At the option of the applicant and with the prior approval of the FmHA State Director, the applicant need not use bond counsel if:

(i) The amount of the issue does not exceed \$50,000 and the applicant recognizes and accepts the fact that processing the application may require additional legal and administrative time.

(ii) There is a significant cost saving to the applicant particularly with reference to total legal fees after determining what bond counsel would charge as compared with what the local attorney will charge without bond counsel.

(iii) The local attorney is able and experienced in handling this type of legal work.

(iv) The applicant understands that, if it is required by FmHA to refinance its loan pursuant to the statutory refinancing requirements, it will probably have to obtain at its expense a bond counsel's opinion at that time.

(v) All bonds will be prepared in accordance with this regulation and will conform as nearly as possible to the preferred methods of preparation stated in paragraph (e) of this section but still be consistent with State law.

(vi) Many matters necessary to comply with FmHA requirements such as land rights, easements, and organizational documents will be handled by the applicant's local attorney. Specific closing instructions will be issued by the Office of the General Counsel of the U. S. Department of Agriculture for the guidance of FmHA.

(3) For loans of less than \$500,000. The applicant shall not be required to use bond counsel in a straight mortgage-note situation where competitive bidding is not required for the sale of the debt instrument, unless a complicated financial situation exists with the applicant. In addition, if there is a known backlog in a particular OGC regional office the applicant will be advised of such backlog and it will be suggested to the applicant that the appointment of bond counsel may be more expeditious. However, it will be the decision of the applicant whether or not to appoint bond counsel. The applicant must comply with (b)(2)(iii) through (vi) of this section.

(c) Bond transcript documents. Any questions with respect to FmHA requirements should be discussed with the FmHA representatives. The bond counsel (or local counsel where no bond counsel is involved) is required to furnish at least two complete sets of the following to the applicant, who will furnish one complete set to FmHA:

- (1) Copies of all organizational documents.
- (2) Copies of general incumbency certificate.
- (3) Certified copies of minutes or excerpts therefrom of all meetings of the applicant's governing body at which action was taken in connection with the authorization and issuance of the bonds.
- (4) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding of a favorable bond election, if such an election is necessary in connection with bond issuance.
- (5) Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolutions or ordinance and any resolution establishing rates and regulating the use of the improvement, if such documents are not included in the minutes furnished.

- (6) Copies of official Notice of Sale and affidavit of publication of Notice of Sale where a public sale is required by State statute.
- (7) Specimen bond, with any attached coupons.
- (8) Attorney's no-litigation certificate.
- (9) Certified copies of resolutions or other documents pertaining to the bond award.
- (10) Any additional or supporting documents required by bond counsel.
- (11) For loans involving multiple advances of FmHA 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 on or before the first advance of loan funds and 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 during the advance of funds such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates.
- (12) Preliminary approving opinion, if any, and final unqualified approving opinion of recognized bond counsel (or local counsel if no bond counsel is involved) including opinion regarding interest on bonds being exempt from Federal and any State income taxes. On approval of the Administrator, 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 opinions 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)], and providing that if the bonds evidencing the indebtedness in question are acquired by the Federal Government and sold on an insured basis from the Agriculture Credit Insurance Fund, or the Rural Development Insurance Fund, the interest on such bonds will be included in gross income for the purpose of the Federal income tax statutes.

(d) Interim financing from commercial sources during construction period for loans of \$50,000 or more. In all cases where it is possible for funds to be borrowed at current market interest rates on an interim basis from commercial sources, such interim financing will be obtained so as to preclude the necessity for multiple advances of FmHA funds.

(e) Permanent instruments for FmHA loans to repay interim commercial financing. FmHA loans will be evidenced by the following types of instruments chosen in accordance with the following order of preference:

(1) First preference - Form FmHA 440-22, "Promissory Note (Association or Organization)". If legally permissible use Form FmHA 440-22 for insured loans.

(2) Second preference - single instruments with amortized installments. If Form FmHA 440-22 is not legally permissible, use a single instrument providing for amortized installments. Show the full amount of the loan on the face of the document and provide for entering the date and amount of each FmHA advance on the reverse thereof or on an attachment to the instrument. Form FmHA 440-22 should be followed to the extent possible. When principal payment is deferred, no attempt should be made to compute in dollar terms the amount of interest due on these installment dates. Rather the instrument should provide that "interest only" is due on these dates. The appropriate amortized installment computed as follows will be shown due on the installment dates thereafter.

(i) Annual payments - Subtract the due date of the last annual interest only installment from the due date of the final installment to determine the number of annual payments applicable. 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 amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar. Example of Computation of Annual Payment:

Date of Loan Closing:	7-5-1976
Amount of Loan:	\$100,000.00
Interest Rate:	5%
Amortization Period:	40 years
Interest Only Installments:	7-5-1977 and
	7-5-1978
First Regular Installment:	7-5-1979
Final Installment:	7-5-2016

<p>Computation:</p> <p style="padding-left: 40px;">$\\$100,000.00 \times .05929 =$</p>	<p>2016-1978= 38 annual payments \$5,929.00 annual payment due</p>
---	--

(ii) Semiannual payments - Multiply by two the number of years between the due date of the last annual interest only installment and the due date of the final installment to determine the correct number of semiannual periods applicable. When there are no interest only installments, multiply by two the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Semiannual Payment:

<p>Date of Loan Closing:</p> <p>Amount of Loan:</p> <p>Interest Rate:</p> <p>Amortization Period:</p> <p>Interest Only Installments:</p> <p>First Regular Installment:</p> <p>Final Installment:</p> <p>Computation:</p> <p style="padding-left: 40px;">$\\$100,000.00 \times .02952 =$</p>	<p>7-5-1976</p> <p>\$100,000.00</p> <p>5%</p> <p>40 years</p> <p>7-5-1977 and 7-5-1978</p> <p>7-5-1979</p> <p>7-5-2016</p> <p>2016 - 1978 = 38 x 2 = 76 semiannual periods</p> <p>\$2,952.00 semiannual payment due</p>
---	---

(iii) Monthly payments - Multiply by twelve the number of years between the due date of the last annual interest only installment and the final installment to determine the number of monthly payments applicable. When there are no interest only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the amount of the note by the applicable amortization factor shown in FmHA Amortization Tables and round to the next higher dollar.

Example of Computation of Monthly Payment:

<p>Date of Loan Closing:</p> <p>Amount of the Loan:</p> <p>Interest Rate:</p> <p>Amortization Period:</p> <p>Interest Only Installments:</p>	<p>7-5-1976</p> <p>\$100,000.00</p> <p>5%</p> <p>40 years</p> <p>7-5-1977 and 7-5-1978</p>
--	--

First Regular Installment: 7-5-1979
Final Installment: 7-5-2016
Computation: 2016 - 1978 =
38 x 12 = 456 monthly payments
\$100,000.00 x .00491 = \$491.00 monthly
payment due

(3) Third preference - single instrument 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 unmatured principal balance. The principal should be in an amount best adapted to making principal retirement and interest payments which closely approximate equal installments of combined interest and principal as required by the first two preferences.

(i) The repayment terms concerning interest only installments described in paragraph (e)(2) of this section, "Second preference" applies.

(ii) The instrument shall contain in substance the following provisions:

(A) A statement of principal maturities and due dates.

(B) Payments made on indebtedness evidenced by this instrument shall be applied to the interest due through the next installment due date and the balance to principal in accordance with the terms of the bond. Payments on delinquent accounts will be applied in the following sequence:

- (1) billed delinquent interest,
- (2) past due interest installments,
- (3) past due principal installments,
- (4) interest installment due, and
- (5) principal installment due.

Extra payments and payments made from security depleting sources shall be applied to the principal last to come due or as specified in the bond instrument.

(4) 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 delivered in the order of their numbers. Such bonds will conform with the minimum requirements of paragraph (h) of this section. Rules for application of payments on serial bonds will be the same as those for principal installment single bonds as set out in the preceding paragraph (e)(3) of this section.

(f) Multiple advances of FmHA funds using permanent instruments. Where interim financing from commercial sources is not available, FmHA loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

(g) Multiple advances of FmHA funds using temporary debt instrument. When none of the instruments described in paragraph (e) of this section are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advance of FmHA loan funds and will be for the full amount of the FmHA loan. The instrument will be prepared by bond counsel (or local counsel if bond counsel is not involved and approved by the State Director and OGC. At the same time FmHA 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:

- (1) The date from which each advance will bear interest.
- (2) The interest rate.
- (3) A payment schedule providing for interest on outstanding principal at least annually.
- (4) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instrument(s).

(h) Minimum bond specifications. The provisions of this paragraph are minimum specifications only, and must be followed to the extent legally permissible.

(1) Type and denominations. Bond resolutions or ordinances will provide that the instrument(s) 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 \$1000). Single bonds may provide for repayment of

principal plus interest or amortized installments; amortized installments are preferable from the standpoint of FmHA. Coupon bonds will not be used unless required by State statute.

(i) To compute the value of each coupon when the bond denomination is consistent:

(A) Multiply the amount of the loan or advance by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment date.

(C) Divide the interest computed in (B) by the number of bonds securing the advance; this is the individual coupon amount.

(ii) To compute the value of each coupon when the bond denomination varies:

(A) Multiply the denomination of the bond by the interest rate and divide the product by 365 days.

(B) Multiply the daily accrual factor determined in (A) by the number of days from the date of advance or last installment date to the next installment due date; this is the individual coupon amount.

(2) Bond registration. Bonds will contain provisions permitting registration as to both principal and interest. Bonds purchased by FmHA will be registered in the name of "United States of America, Farmers Home Administration," and will remain so registered at all time while the bonds are held or insured by the United States. The address of FmHA for registration purposes will be that of the appropriate FmHA State Office. (Revised 3-1-88, SPECIAL PN.)

(3) 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.

(4) Date of bond. Bonds will preferably be dated as of the day of delivery, however, may be dated another date at the option of the borrower and subject to approval by FmHA. If the date of delivery is other than the date of the bond, the date of delivery will be stated in the bond. In all cases, interest will accrue from the date of delivery of the funds.

(5) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law. Monthly payments will be required if consistent with the foregoing, and will be enumerated in the bond, other evidence of indebtedness, or other supplemental agreement. Insofar as practical monthly payments will be scheduled one full month following the date of loan closing; or semiannual or annual payments will be scheduled six or twelve full months respectively, following the date of loan closing or any deferment period. Due dates falling on the 29th, 30th or 31st day of the month will be avoided.

(6) Place of payment. Payments on bonds purchased by FmHA should be submitted to the FmHA District Office by the borrower. The District Office will then remit the payments to the Finance Office or deposit them in a Treasury General Account in accordance with Subpart B of Part 1951 of this chapter.

(7) Redemptions. Bonds should contain customary redemption provisions; subject, however, to unlimited right of redemption without premium of any bonds held by FmHA except to the extent limited by the provisions under the "Third Preference" and "Fourth Preference" in paragraph (e) of this section.

(8) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless the net revenues (that is, unless otherwise defined by the State statute, gross revenues less essential operation and maintenance expense) for the fiscal year preceding the year in which such parity bonds are to be issued, were 120 percent of the average annual debt service requirements on all bonds then outstanding and those to be issued; provided, that 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 agreement.

(9) Scheduling of FmHA payments when joint financing is involved. In all cases in which FmHA is participating with another lender in the joint financing of the project to supply funds required by one applicant, the FmHA payments of principal and interest should approximate amortized installments.

(10) Precautions. The following types of provisions in debt instruments should be avoided.

(i) Provisions for the holder to manually post each payment to the instrument.

(ii) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than FmHA, may post the date and amount of each advance or repayment on the instrument.

(iii) 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 FmHA from requiring graduation before the final maturity date, it represents a violation of the statutory refinancing requirement, therefore it is disallowed. (Revised 5-3-89, SPECIAL PN)

(iv) Provisions that amend covenants contained in Forms FmHA 1942-47, "Loan Resolution (Public Bodies)," or FmHA 1942-9, "Loan Resolution (Security Agreement)."

(11) Multiple Loan Instruments. The following will be adhered to when preparing debt instruments:

(i) 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.

(ii) Loan funds obligated in different fiscal years and those obligated with different interest rates or terms in the same fiscal year will be evidenced by separate debt instruments.

(iii) Loan funds obligated for the same loan type in the same fiscal year at the same interest rate and term may be combined in the same debt instrument; provided the borrower has been notified on Form FmHA 1940-1, "Request for Obligation of Funds," of the action.

(i) Bidding by FmHA. Bonds offered for public sale shall be offered in accordance with State law, in such a manner to encourage public bidding. FmHA will not submit a bid at the advertised sale unless required by State law, nor will reference to FmHA's rates and terms be included. If no acceptable bid is received, FmHA will negotiate the purchase of the bonds.

UNITED STATES
DEPARTMENT OF
AGRICULTURE

FARMERS
HOME
ADMINISTRATION

Do not mark copy
1000 Fairmont Avenue
Fairmont, WV 26554
Phone: 304-363-6722
TTY/TDD 1-800-564-0999
FAX 304-363-7027

October 7, 1994

Honorable Thomas G. Mason
Mayor, City of Salem
P.O. Box 352
Salem, WV 26426

Dear Mayor Mason:

This letter, with Attachment 1, amends the Letter of Conditions dated December 13, 1991 and further 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 Farmers Home Administration (FmHA) by written amendment to this letter. Any changes not approved by FmHA shall be cause for discontinuing processing of the application.

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 a total FmHA loan not to exceed \$2,000,000, an FmHA grant not to exceed \$750,000 and other funding in the amount of \$3,630,500, for a total project cost of \$6,380,500. The other funding is planned in the form of a Small Cities Block Grant in the amount of \$750,000 and a grant from the EPA administered by the State of West Virginia in the amount of \$130,500 and a loan from the West Virginia State Revolving Fund in the amount of \$2,750,000.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosure listed below is attached to the copies as noted.

Enclosed is the following:

Attachment No. 1 - Final Project Planning Factors
(All Copies)

The agreements you provided with your preapplication and application for legal services is acceptable. The agreement for engineering service has not been approved.

FARMERS HOME ADMINISTRATION IS AN EQUAL OPPORTUNITY LENDER.
COMPLAINTS OF DISCRIMINATION SHOULD BE SENT TO:
SECRETARY OF AGRICULTURE, WASHINGTON, D.C. 20250

The conditions referred to above are as follows:

1. Users - This conditional commitment is based upon your providing evidence that you will have at least 797 bona fide users on the system when it has been completed and is placed in operation. This evidence will consist of signed user agreements from 82 new users on the proposed system and a certification from you that identifies and attests that 715 existing users are connected to and using the existing system.

Each new user signing an agreement must make a user contribution of \$50.00. "Service Delination Settlements" must be obtained from potential users that are not willing to take sewage.

You must also provide evidence that you have not signed user agreements from individuals located outside the planned service area.

You should not attempt to sign more than the required 797 users.

The user contribution will not be considered to be a tap fee, a connection charge or a user assessment. It will be an initial contibution only from the signer and it will not be paid for the user by any other source. It may at some later time be reimbursed to the user by a source other than your Authority at the option of that other source.

Information and material evidencing the above requirements having been met must be provided for FmHA review and verification. Such evidence will as a minimum, consist of (1) signed users agreements, (2) signed or completed Service Declination Statements, (3) records of user contributions being paid, (4) a map locating each potential user's property and identifying it by a number, (5) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above, (6) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above.

2. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

Form FmHA 442-7 - "Initial Operating Budget"

Form FmHA 1942-31 - "Association Water of Sewer System Grant Agreement"

All the conditions and provisions of the Letter of Conditions dated December 13, 1991 must be met prior to bid solicitation.

Attached is a copy of Form FmHA 1942-31, "Association Water and Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

We believe the information herein, along with the previously issued Letter of Conditions, clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact this office.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, FmHA 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, FmHA reserves the right to require that it be revised or replaced.

Sincerely yours,

DAVID R. NICHOLSON
District Director

Enclosures

cc: Administrator, FmHA
Attn: Water and Waste
Disposal Division
Washington, DC

State Director, FmHA
Morgantown, WV

Accountant

County Supervisor, Mt. Clare

Attorney

Steptoe & Johnson

Kanakau Associates, Inc.

Attachment No. 1 to Letter of Conditions
 Dated: October 7, 1994
 For: City of Salem

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of FmHA:

<u>Project Costs</u>	<u>SCBG Grant</u>	<u>Grant</u>	<u>Loan</u>	<u>RDA Grant</u>	<u>RDA Loan</u>	<u>Total</u>
Administration	40,000				10,000	50,000
Construction	710,000		2,750,000	707,500		4,167,500
Construction Contg					417,000	417,000
Land and Rights					421,000	421,000
Legal and Admin Fees					35,000	35,000
Engineering Fees		130,500		42,500	553,500	726,500
Basic						
Insp.						
Spec.						
Bond Counsel					31,500	31,500
Interest					265,000	265,000
Proj. Contg.					267,000	267,000
TOTALS	750,000	130,500	2,750,000	750,000	2,000,000	6,380,500

Rates Based on water usage

Minimum Charge

Available for general domestic commercial, and industrial service.

No bill shall be rendered for less than the following amounts according to the size of meter installed.

Flat rate - \$7.10 per 1,000 gallons

- 5/8" x 3/4" meter - \$ 14.20 per month
- 3/4" meter - \$ 21.30 per month
- 1" meter - \$ 35.50 per month
- 1 1/2" meter - \$ 71.00 per month
- 2" meter - \$113.60 per month
- 3" meter - \$213.00 per month
- 4" meter - \$355.00 per month
- 6" meter - \$710.00 per month
- 8" meter - \$1,136.00 per month

(Minimum Monthly Bill \$14.20 for 2,000 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 - \$50.00

After the start of construction, there shall be a charge of \$300.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

270 users @	2,000 gallons @	\$ 14.20	per user =	\$3,834.00	monthly
158 users @	3,000 gallons @	\$ 21.30	per user =	\$3,365.40	monthly
122 users @	4,000 gallons @	\$ 28.40	per user =	\$3,464.80	monthly
76 users @	5,000 gallons @	\$ 35.50	per user =	\$2,698.00	monthly
51 users @	6,000 gallons @	\$ 46.60	per user =	\$2,172.60	monthly
25 users @	7,000 gallons @	\$ 49.70	per user =	\$1,242.50	monthly
22 users @	8,000 gallons @	\$ 56.80	per user =	\$1,249.60	monthly
12 users @	9,000 gallons @	\$ 63.90	per user =	\$ 766.80	monthly
16 users @	10,000 gallons @	\$ 71.00	per user =	\$1,136.00	monthly
13 users @	15,000 gallons @	\$ 106.50	per user =	\$1,384.50	monthly
15 users @	25,000 gallons @	\$ 177.50	per user =	\$2,662.50	monthly
6 users @	50,000 gallons @	\$ 355.00	per user =	\$2,130.00	monthly
5 users @	100,000 gallons @	\$ 710.00	per user =	\$3,550.00	monthly
4 users @	200,000 gallons @	\$1,420.00	per user =	\$5,680.00	monthly
2 users @	500,000 gallons @	\$3,550.00	per user =	\$7,100.00	monthly

797

\$42,436.70

Total monthly x 12 = \$509,240.40

Budget

Income		\$509,240
Expenses		
O & M	\$146,620.00	
Debt Service	327,236.00	
Reserve	35,384.00	\$509,240
Balance and Depreciation		\$ -0-

Operating and Maintenance Expenses

Wages - Salaries	\$ 60,816
Office Expenses (telephone, rent, supplies)	\$ 5,430
Taxes, Insurance, Bonds	\$ 3,269
Fees (accounting, audit, legal)	\$ 4,344
Utilities (electric, water, sewer, gas, fuel oil)	\$ 15,529
Repair to Facilities and Equipment	\$ 9,774
Fuel - Gasoline - Oil	\$ 7,276
Miscellaneous Material and Supplies	\$ 31,494
Reading, Billing and Collection	\$ 8,688

TOTAL	\$146,620
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*Debt Service		
FmHA	\$117,840.00	
SRF	183,156.00	
Existing	26,240.00	(High Year)

**Reserve		
FmHA	\$ 11,784.00	
SRF	18,316.00	
Existing	5,284.00	(20 Percent)

UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL ECONOMIC
AND COMMUNITY
DEVELOPMENT

Board Counsel
Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
(304) 291-4796
FAX (304) 291-4032

May 18, 1995

MAY 24 1995

SUBJECT: Salem, City of (Sewer)
(RECD Loan - \$2,000,000; RECD Grant - \$750,000)
(Closing Instructions)

TO: ~~District Director, RECD~~
~~Parkersburg, WV~~

The subject loan must be handled and closed in accordance with the following. Reference is made to your letter of conditions dated December 13, 1991 and its Amendment dated October 7, 1994. All of the requirements of those letters must be met and in addition, the loan must be closed in accordance with (1) FmHA Instruction 1942-A, (2) the attached "Closing Guidelines for Community Facilities loans to Public Bodies," and (3) any specific instructions issued by the Office of the General Counsel and attached hereto.

Prior to loan closing, you should be certain the docket contains as a minimum, copies of documentation and/or executed forms evidencing the following items have been satisfied as they pertain to this project:

1. Approved Engineering Agreement, dated and executed by all appropriate parties.
2. Legal Services Agreement with State Office concurrence attached.
3. MHI survey results with State Office concurrence attached.
4. 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans." (ALSO, SF LLL, "Disclosure of Lobbying Activities," if applicable.)
5. FmHA Grant Agreement, signed and dated at closing.
6. AD 1047 and 1048, "Certification Regarding Debarment," (both Primary and Contractor).
7. 1910-11, "Applicant Certification-Federal Collection Policies."
8. Form(s) FmHA 1927-10, "Final Title Opinion(s)," covering Preliminary Title Opinion(s) showing No Exceptions.

Rural Economic and Community Development is an Equal Opportunity Lender. Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

9. Forms FmHA 442-21, "Right-of-Way Certificate," and 442-22, "Opinion of Counsel Relative to Rights-of-Way," showing No Exceptions.
 10. Certification on Loan Resolution needs to be completed at closing.
 11. Bond Counsel should be notified of the interest rate as soon as the closing date is determined.
- *****REMINDER*****The poverty interest rate for the present quarter (April 1 through June 30) is 4.5%. You should be certain the loan is closed at the correct interest rate.
12. If there is a Sewer Treatment Contract involoved, it should be approved prior to closing.
 13. Copy of agreement with accountant. Also, prior to the start of construction, accountant's certification that the accounts and records are properly established.
 14. District Office comments regarding applicant's accounts and records being properly established.
 15. Compliance review on or before loan closing or start of construction, whichever is first.
 16. All applicable Public Service Commission certificates and/or approvals obtained.
 17. Loan closings should not be scheduled on the 29th, 30th or 31st of the month.
 18. Once the loan and/or grant has been closed, tracking should be updated immediately to reflect the appropriate date and status code.

You are reminded of your responsibility to assure full compliance with all administrative requirements of FmHA Instruction 1942-A, Letter of Conditions, and correspondence from OCG as well as this office. You should make certain that any necessary revisions are made to the appropriate forms and/or documents prior to considering the docket complete.

Please advise this office two weeks in advance of the closing date.

After the loan has been closed and all FmHA loan funds have been disbursed by Finance Office, please forward your request for final opinion to this office along with the following:

- Your certification that all administrative requirements of closing have been met.
- Two copies of the executed Bond.
- Two copies of the executed Bond Counsel's Opinion.
- Two complete sets of the Bond Transcript Documents.

If you have any questions regarding the above, please let us know.

BOBBY LEWIS
State Director

Enclosures

cc: County Supervisor, Mt. Clare

SD KOL
RMS

Post Office Box 1134
Harrisburg, PA 17108
(717) 782-3713
FAX: (717) 782-3843



United States
Department of
Agriculture

Office of the
General
Counsel

STPFD - 1 2112: 31

January 23, 1995

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 23 1995	
FBI - HARRISBURG	

[Handwritten initials and checkmarks are present in the right margin of the stamp area.]

SUBJECT: City of Salem (Sewer)
\$2,000,000 Loan; \$750,000 Grant

TO: Acting State Director, RECD
Morgantown, West Virginia

We are of the opinion that this loan and grant are legally in order for closing provided that the following Closing Instructions are fully complied with beforehand and all administrative requirements are met:

1. The loan and grant should be closed in accordance with our memorandum of October 20, 1980, and the "Standard Closing Guidelines for Community Facility Loans to Public Bodies" previously furnished to you for publication as a state bulletin.
2. Utilize the documents prepared by bond counsel which you sent us with your memorandum dated January 17, 1995.

In the event that any of the Closing Instructions cannot be fully complied with or are not understood, the closing should be postponed and this office notified in detail.

Nicholas Mamone

NICHOLAS MAMONE
ATTORNEY

jlh

CLOSING GUIDELINES FOR
COMMUNITY FACILITY LOANS TO PUBLIC BODIES

At or before the closing for the financing, the following conditions must be satisfied:

1. General Requirements. There must be full compliance with all requirements specified in (a) applicable Farmers Home Administration Instructions, (b) correspondence from OGC, (c) any applicable correspondence from the Administrator's office, (d) FmHA letter of conditions, (e) clearinghouse comments, and (f) any state office memorandum of approval.
2. Loan Resolution. Confirm that the Applicant has duly adopted the fully executed Form FmHA 442-47, Loan Resolution (Public Bodies).
3. Grant Agreement. In the event that a grant is also to be made to the Applicant, then the grant may be closed in accordance with FmHA Instructions provided that these Closing Instructions have also been complied with and duly authorized officials of the Applicant have fully executed Form FmHA 442-31, Grant Agreement.
4. Civil Rights. Confirm that the following fully executed civil rights forms are in the docket:
 - a. Form FmHA 400-1, Equal Opportunity Agreement.
 - b. Form FmHA 400-4, Assurance Agreement.
 - c. Form FmHA 400-8, Compliance Review (Pre-loan closing).
5. Environmental Impact. Confirm that a completed and executed Form FmHA 400-46, Environmental Impact Assessment, is in the docket. If the Assessment indicates that an Environmental Impact Statement must be filed, this must be accomplished prior to loan closing.
6. Clearinghouse Comments. Confirm that A-95 approvals have been received from both state and regional clearinghouses. Note any comments received and confirm that the Applicant intends to comply with such comments. If the Applicant expresses a contrary intention, the State Office should be notified immediately in detail. The State Office

should consult OGC with respect to the legal ramifications of any such noncompliance.

7. Specimen Bond(s). Prior to closing, confirm that the terms of the specimen bond(s) are consistent with FmHA Instructions, the FmHA Letter of Conditions and other obligating documents. Amortization schedules and maturity dates should be checked very carefully.
8. Certification of Payment. If FmHA loan proceeds will be used to retire interim indebtedness, the Applicant must provide FmHA with written statements in accordance with FmHA Instruction 1942-A, §1942.17(n)(2) [7 C.F.R. §1942.17].
9. Examination of Executed Bond(s). The District Director should examine the executed original Bond(s) at the closing to determine the following:
 - a. That the repayment and other terms of the Bond(s) are consistent with the FmHA Letter of Conditions and obligating documents.
 - b. That the Bond(s) has been fully executed by the proper officials of the Applicant as recited on the face of the Bond(s).
 - c. That the persons executing the Bond(s) are officials of the Applicant as shown on the General Incumbency Certificate.
 - d. That the Applicant's seal is on the Bond(s).
 - e. That any authentication certificate contained on the Bond(s) has been properly executed.
 - f. That the Bond(s) is fully registered in the name of the United States of America/Farmers Home Administration.
 - g. That the place of payment shown on the face of the Bond is correct and administratively acceptable.
 - h. That the Bond(s) is dated the date of closing.

10. Dates, Seals and Signatures. All certifications and opinions furnished by the Applicant, Local Counsel or Bond Counsel should be dated as of the date of Loan Closing. Wherever appropriate, the seal of the Applicant should be impressed on materials being furnished by the Applicant. Bond transcript items "b," "i," "k" and "m" listed below should be manually-executed originals. For the remaining Bond transcript documents, an original manual attestation by the Applicant's Clerk or Secretary will suffice.

11. Bond Transcript. A bond transcript should be compiled by Bond Counsel in accordance with the requirements contained in FmHA Instructions 1942-A, §1942.19(c) [7 C.F.R. §1942.19]. Confirm that the bond transcript contains each of the following items:
 - a. Certified copies of all organizational documents, i.e., special acts, charter, by-laws.
 - b. General Incumbency Certificate (may sometimes be referred to as Signature Certificate).
 - c. Certified copies of minutes or excerpts therefrom of all meetings of the Applicant's governing body at which action was taken in connection with the authorization and issuance of the Bond(s).
 - d. Certified copies of documents evidencing that the Applicant has complied fully with all statutory requirements incident to the calling and holding of a favorable bond election unless Bond Counsel advises you this is not applicable.
 - e. Certified documents evidencing that the Applicant has complied fully with all statutory requirements incident to advertising the consideration and/or adoption of the bond ordinance unless Bond Counsel advises you that this is not applicable.

- f. Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolution or ordinance and any resolution establishing rates and regulating the use of the improvements, if such documents are not included in the minutes furnished.
- g. Copies of official Notice of Sale and Affidavit of Publication of Notice of Sale unless Bond Counsel advises you that this is not applicable.
- h. Specimen Bond (of each denomination), with any attached coupons.
- i. No Litigation Certificate of Local Counsel (See Item 12 below).
- j. Certified copies of resolutions or other documents pertaining to the award of the Bond(s).
- k. Non-Arbitrage Certificate.
- l. Any additional or supporting documents required by Bond Counsel.
- m. Preliminary approving opinion, if any, and final unqualified approving opinion of Bond Counsel, including opinion regarding interest on bonds being exempt from Federal and any State income taxes.

Any omissions from the Bond transcript should be supplied by the District Director with the assistance of the Applicant and Bond Counsel. Obviously, certain of the documents listed above will normally be delivered prior to the closing.

- 12. Attorney's No-Litigation Certificate. Local Counsel should deliver a manually-executed original attorney's no-litigation certificate dated the date of closing.
- 13. Evidence of Title. In all cases, confirm that Local Counsel has supplied FmHA with his or her title opinion regarding the sites for any project structures such as treatment plants and community buildings. The opinion should be on Form FmHA 427-10 with any changes necessary to reflect the circumstances of this financing. In the case of

utility-type financings, confirm that executed Form FmHA 442-21 and 442-22 concerning rights-of-way are also in the docket. Any title exceptions should either be removed prior to closing or be specifically cleared through OGC.

14. Additional Instructions. OGC will normally issue additional closing instructions on a case-by-case basis containing special requirements for specific loans. The District Director should review the Closing Instructions prepared by OGC relating to the specific case and close the loan in accordance with those instructions.



United States
Department of
Agriculture

Rural Economic
and Community
Development

P.O. Box 303
Parkersburg, WV 26102
Telephone 304-420-6664
TTY/TDD 1-800-982-8771
Fax 304-420-6876

June 7, 1995

Honorable Thomas G. Mason
Mayor, City of Salem
P.O. Box 352
Salem, WV 26426

Dear Mayor Mason:

The loan closing date for the City's sewer project has been established as June 27, 1995. The closing will begin at 10:00 AM at the office of Steptoe and Johnson, Sixth Floor, Bank One Center, Clarksburg, West Virginia.

Reference is made to our letter of conditions dated December 1991 and amended October 7, 1994. All of the requirements of those letters must be met and in addition, the loans must be closed in accordance with (1) FmHA Instruction 1942-A, (2) the attached "Closing Guidelines for Community Facilities Loans to Public Bodies", and (3) any specific instructions issued by the Office of General Counsel and attached hereto.

Many of the aforementioned items have already been addressed. Those remaining items to be satisfied prior to loan closing include:

1. The City will need to provide Form FmHA 442-21 "Right of Way Certificate", showing no exceptions. This form should be dated June 27, 1995.
2. The City's attorney will need to provide Form FmHA 442-22 "Opinion of Counsel Relative to Rights of Way", showing no exceptions. This form should be dated June 27, 1995.
3. The City's attorney must furnish a Form FmHA 1927-10 "Final Title Opinion", on all land(s) being acquired. In addition, the attorney must provide a separate final title opinion(s) covering all existing property owned by the City. The opinion(s) should be dated June 27, 1995.
4. The City's engineer must provide a resume of the proposed inspector(s).
5. The City must provide a letter accepting the proposed inspector(s).
6. The permit from the West Virginia Department of Highways must be on hand at the closing. The City should proceed to obtain the necessary bond and forward same to the WVDOH requesting the permit be issued.

RECD

Rural Economic and Community Development agencies are
Equal Opportunity Lenders. Complaints of discrimination should
be sent to: Secretary of Agriculture, Washington, D.C. 20250

7. A certificate from the City's accountant that the accounts and records required by the bond resolution and PSC have been established and are operational. (The chart of accounts and record keeping books must be available for review at the loan closing.)
8. Evidence that the City has interim financing available from a qualified lending institution for no less than \$500,000. A copy of the credit agreement must be provided at the closing.
9. The City must provide evidence that it has acquired insurance and bond coverage in accordance with item 9 of the Letter of Conditions.
10. The City must furnish evidence that it provides State Workman's Compensation Insurance. A certificate of good standing will be satisfactory.
11. The City should proceed to establish a construction checking account in a local financial institution. This account should be entitled "City of Salem - Sewer Construction Account". Evidence of this account must be provided at closing.
12. The City must furnish a copy of the NPDES Permit.
13. The City must furnish a copy of the West Virginia Public Service Commission's approval of the revised financing arrangements.

If you have any questions regarding these or any other matters pertaining to your loan, please contact Gary Wilson at 420-6664.

Sincerely,

NEY R. WILLIAMSON, JR.
Rural Development Manager

Enclosures

cc: State Director, RECD
Morgantown, WV

County Supervisor, RECD
Mt. Clare, WV

Gail Smith
Kanakanui Associates
Beckley, WV

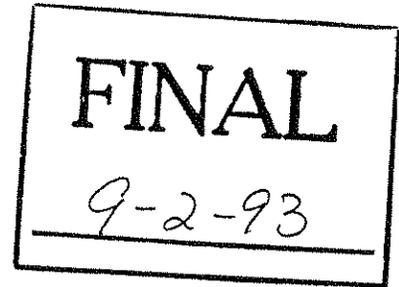
Ralph Layton
Smith, Cochran and Hicks
Charleston, WV

Francesca Tan ✓
Steptoe and Johnson

Thomas Fluharty
Clarksburg, WV

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

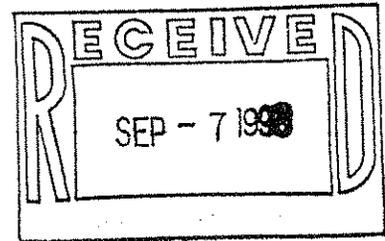
Entered: August 13, 1993



CASE NO. 93-0460-S-CN

THE CITY OF SALEM, a municipal corporation;
and THE CITY OF SALEM SANITARY BOARD,
Salem, Harrison County.

Application for a certificate of convenience
and necessity to construct a wastewater
treatment plant and collection system at
Salem, Harrison County, and for approval of
incidental financing.



RECOMMENDED DECISION

On May 19, 1993, the City of Salem, a municipal corporation, and the City of Salem Sanitary Board (Salem), both of Salem, Harrison County, filed an application with the Public Service Commission, pursuant to West Virginia Code (Code) §24-2-11, for a certificate of convenience and necessity to construct a wastewater treatment plant and collection system at Salem, Harrison County, and for approval of financing incidental to providing such service.

On May 20, 1993, the Commission directed Salem to publish the Notice of Filing. On May 25, 1993, the Commission entered a further Notice of Filing order, clarifying the May 20, 1993 Notice of Filing. Pursuant thereto, on June 2, 1993, Salem published the corrected Notice of Filing in The Clarksburg Exponent, as indicated by the affidavit of publication filed on June 16, 1993. The corrected Notice of Filing provided that, if no protests to the application were filed within thirty (30) days, the Commission may waive formal hearing and grant the application based upon its review of the evidence submitted with the application. No protests have been filed.

On June 8, 1993, the Commission Referral Order was entered in this proceeding, referring this matter to the Division of Administrative Law Judges for decision on or before December 15, 1993. Pursuant thereto, on June 16, 1993, the Administrative Law Judge (ALJ) issued a Procedural Order establishing a procedural schedule to be followed in processing and resolving this matter, including a September 21, 1993 hearing date.

On July 23, 1993, Staff Attorney Drexel M. Vealey filed the Final Joint Staff Memorandum in this proceeding, together with the attached Utilities Division Staff Recommendation, dated July 16, 1993, from Staff Engineer James E. Spurlock, II, and Utilities Analyst Sterling E. Bare, both of the Water and Sewer Section, Utilities Division. These documents were served upon Salem on July 23, 1993, by Executive Secretary Howard M.

irmingham, who granted the parties seven (7) days to respond. On July 29, 1993, H. Wyatt Hanna, Esquire, counsel for Salem, filed a letter in response to Commission Staff's final recommendations, agreeing with Staff's position and requesting that the application be granted without a hearing.

Commission Staff estimated that the project would cost \$6,380,500, to be funded by a United States Environmental Protection Agency (EPA) design allowance grant in the amount of \$130,500; by a Farmers Home Administration (FmHA) grant in the amount of \$750,000; by a Small Cities Block (SCB) grant in the amount of \$750,000; by a State Revolving Fund (SRF) loan in the amount of \$2,750,000; and by an FmHA loan in the amount of \$2,000,000. Salem has passed a rate ordinance which, Staff opines, will adequately fund the operation of Salem's system, once the project is operational, including debt service incurred as a result of the project.

Commission Staff reported that Salem needs to renovate its existing wastewater treatment plant and collection system because it experiences excessive inflow and infiltration (I&I) and because it fails to meet treatment plant effluent limitations. The Department of Environmental Protection (DEP), by its Order No. 1835, required Salem to correct these problems and to modify its NPDES permit. Commission Staff recommended approval of the application, without a hearing, subject to the following contingencies:

1. DEP issues Salem a modified NPDES permit.
2. Further Commission approval will be required if construction bids indicate any change in the scope or financing of the project increasing the total annual debt service by more than \$282,669.

DISCUSSION

Upon consideration of all of the above, since there is no dispute between Salem and Commission Staff, the ALJ will consider the parties to have waived their rights to file proposed findings of fact and conclusions of law, or briefs, in this proceeding, pursuant to Code §24-1-9(b), or to a hearing. Entry of this Recommended Decision obviates the necessity for the procedural schedule established by the June 16, 1993 Procedural Order, and the ALJ will cancel the procedural schedule, including the September 21, 1993 hearing date.

The ALJ will waive formal hearing since no protests were filed. The application for a certificate of convenience and necessity should be granted, subject to Commission Staff's recommended contingencies, since Salem has been ordered by DEP to renovate its wastewater collection and treatment system because the system experiences excessive I&I and because the system fails to meet plant effluent limitations; since DEP has ordered Salem to modify its NPDES permit; since Commission Staff has recommended approval; and since no protests have been filed. The ALJ will approve the project financing since Salem has passed a rate ordinance which will adequately fund the system's operation, once the project is operational,

including debt service incurred as a result of the project. The ALJ will require Salem to acquire a modified NPDES permit from DEP before proceeding with the project and, finally, further Commission approval will be required if the construction bids indicate any change in the scope or financing of the project increasing the total annual debt service increase by more than \$282,669, since Commission Staff has recommended these actions and since Salem has concurred.

FINDINGS OF FACT

1. The City of Salem and the City of Salem Sanitary Board filed an application with the Public Service Commission, pursuant to Code §24-2-11, for a certificate of convenience and necessity to construct a wastewater treatment plant and collection system at Salem, Harrison County, and for approval of financing incidental to providing such service. (See, Application, filed May 19, 1993).

2. The Notice of Filing published by Salem on June 2, 1993, in The Clarksburg Exponent, provided that, if no protests were received within thirty (30) days, the Commission may waive formal hearing and grant the application based upon its review of the evidence submitted with the application. (See, Notice of Filing, entered May 20, 1993; corrected Notice of Filing, entered May 25, 1993; Affidavit of Publication filed June 16, 1993).

3. No timely protests were filed. (See, Commission's file).

4. Commission Staff estimated that the project would cost \$6,380,500, to be funded by an EPA design allowance grant in the amount of \$130,500; by an FmHA grant in the amount of \$750,000; by an SCB grant in the amount of \$750,000; by an SRF loan in the amount of \$2,750,000; and by an FmHA loan in the amount of \$2,000,000. (See Final Joint Staff Memorandum, with Attachment, filed July 23, 1993).

5. Salem has passed a rate ordinance which will fund the operation of Salem's system, once the project is operational, including debt service incurred as a result of the project. (See, Final Joint Staff Memorandum, with Attachment, filed July 23, 1993).

6. DEP has ordered Salem to renovate its wastewater collection system because it experiences excessive I&I; to renovate its treatment plant because it fails to meet effluent limitations; and to modify its NPDES permit. (See, Final Joint Staff Memorandum, with Attachment, filed July 23, 1993).

7. Commission Staff has recommended approval of the application, without a hearing, subject to the following contingencies:

- (a) DEP issues Salem a modified NPDES permit.
- (b) Further Commission approval will be required if construction bids indicate any change in the scope or financing of

the project increasing the total annual debt service by more than \$282,669.

(See, Final Joint Staff Memorandum, with Attachment, filed July 23, 1993).

8. Salem has agreed with Staff's final recommendations. (See, Letter, filed July 29, 1993, from H. Wyatt Hanna, Esquire).

CONCLUSIONS OF LAW

1. For all of the reasons set forth in Findings of Fact Nos. 2 and 3, formal hearing should be waived.

2. For all of the reasons set forth in Findings of Fact Nos. 4 and 5, it is reasonable to approve the project financing.

3. For all of the reasons set forth in Findings of Fact Nos. 5 and 6, it is reasonable to conclude that public convenience and necessity require the project.

4. For all of the reasons set forth in Findings of Fact Nos. 2, 3, 4, 5, 6, 7 and 8, and Conclusions of Law Nos. 1, 2 and 3, it is reasonable to grant the application, without a hearing, subject to the following contingencies:

(a) DEP issues Salem a modified NPDES permit.

(b) Further Commission approval will be required if construction bids indicate any change in the scope or financing of the project increasing the total annual debt service by more than \$282,669.

ORDER

IT IS, THEREFORE, ORDERED that the application filed with the Commission on May 19, 1993, by the City of Salem and the City of Salem Sanitary Board, pursuant to Code §24-2-11, for a certificate of convenience and necessity to construct a wastewater treatment plant and collection system at Salem, Harrison County, be, and it hereby is, granted, without the necessity for a hearing.

IT IS FURTHER ORDERED that the proposed financing of the project, not to exceed a total cost of \$6,380,500, to be funded by an EPA design allowance grant in the amount of \$130,500; by an FmHA grant in the amount of \$750,000; by an SCB grant in the amount of \$750,000; by an SRF loan in the amount of \$2,750,000; and by an FmHA loan in the amount of \$2,000,000, be, and it hereby is, approved.

IT IS FURTHER ORDERED that, if construction bids indicate any change in the scope or financing of the project increasing the total annual debt service by more than \$282,669, or if there is any change in the scope or financing of the project for any reason, before proceeding with the project the City of Salem and the City of Salem Sanitary Board shall

otify the Public Service Commission and file for Commission approval of a revised project and financing.

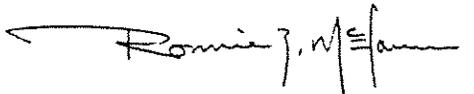
IT IS FURTHER ORDERED that the procedural schedule established by the June 16, 1993 Procedural Order, including the September 21, 1993 hearing date, be and it hereby is, cancelled.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission 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 of the Commission 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 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.



Ronnie Z. McCann
Administrative Law Judge

RZM:mal

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 22nd day of June, 1995.

CASE NO. 93-0460-S-CN

THE CITY OF SALEM, a municipal corporation; and THE CITY OF SALEM SANITARY BOARD, Salem, Harrison County.

Application for a certificate of convenience and necessity to construct a wastewater treatment plant and collection system at Salem, Harrison County, and for approval of incidental financing.

COMMISSION ORDER

By order entered September 2, 1993, the City of Salem (Salem) was granted a Certificate of Convenience and Necessity to construct a wastewater treatment plant and collection system at or near Salem, Harrison County, West Virginia. Competitive bids exceed the original project cost estimates by \$400,918.

On May 16, 1995, Salem petitioned to reopen this proceeding for approval of revised project costs and increased financing. Salem also stated that the interest rate on its FmHA loan had been reduced since costs were estimated in the certificate proceeding, and the reduced interest rate was subject to increase after June 30, 1995. On June 1, 1995, Salem filed a Further Petition to Reopen and Amend Certificate (Further Petition), stating that the additional \$400,918 will be acquired as follows: \$400,000 from the State Revolving Loan Fund and \$918 from the EPA Design Grant. Salem asked the Commission to act promptly upon the Further Petition and not refer it to the Division of Administrative Law Judges pending review by Commission Staff (Staff) because Salem is operating under an EPA Consent Order and because the FmHA interest rate could rise.

On June 8, 1995, Staff filed a Further Joint Staff Memorandum recommending approval of Salem's Further Petition. Since the interest rate on the FmHA loan will be reduced from five percent (5%) to four and one-half percent (4.5%) and on the State Revolving Fund loan from two and one-half percent (2.5%) to one percent (1%), Salem's debt service will be

reduced from the original projection. Customer rates will not be increased and there is no change in the scope of the project.

FINDINGS OF FACT

1. By order entered September 2, 1993, Salem was granted a Certificate of Convenience and Necessity for a wastewater treatment plant and collection system at or near Salem, Harrison County, West Virginia.

2. Competitive bids exceed the original project cost estimates by \$400,918.

3. On May 16, 1995, Salem petitioned to reopen the certificate proceeding for approval of revised total project costs and increased financing.

4. On June 1, 1995, Salem filed a Further Petition.

5. The additional \$400,918 will be acquired as follows: \$400,000 from the State Revolving Loan Fund and \$918 from the EPA Design Grant.

6. The FmHA loan interest rate has been reduced from five percent (5%) to four and one-half percent (4.5%) since costs were estimated in its certificate proceeding, and the reduced interest rate is subject to increase after June 30, 1995.

7. The State Revolving Loan fund interest rate has been reduced from two and one-half percent (2.5%) to one percent (1%).

8. Salem's debt service will be reduced from the original projection.

9. Customer rates will not be increased and there is no change in the scope of the project.

10. Salem is under a Consent Order with the United States Environmental Protection Agency (EPA).

11. Due to the EPA Consent Order and the possibility that the FmHA interest rate could increase, Salem asked that the Commission act promptly upon the Further Petition and not refer it to the Division of Administrative Law Judges pending review by Staff.

12. On June 8, 1995, Staff recommended approval of Salem's petition, advising that debt service will be reduced and there will be no increase in rates.

CONCLUSIONS OF LAW

1. It is reasonable to reopen the certificate proceeding to consider Salem's Further Petition for approval of revised total project costs and increased financing.

2. It is reasonable to accommodate Salem's request for prompt Commission consideration due to the EPA Consent Order and the possibility that the FmHA interest rate could increase.

3. It is reasonable to approve Salem's Further Petition because debt service will be reduced and there will be no increase in rates.

ORDER

IT IS, THEREFORE, ORDERED that Case No. 93-0460-S-CN be, and it hereby is, reopened to consider Salem's Further Petition for approval of revised total project costs and increased financing.

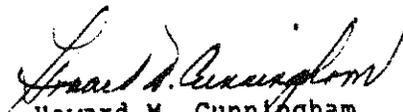
IT IS FURTHER ORDERED that Salem's Further Petition be, and it hereby is granted.

IT IS FURTHER ORDERED that in the event the scope or financing of the project increases the total annual debt service by more than \$282,669, Salem be, and it hereby is, required to seek further Commission approval thereof.

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

ARC

A True Copy, Teste:


Howard M. Cunningham
Executive Secretary



Public Service Commission

Richard E. Hitt, General Counsel

201 Brooks Street, P.O. Box 812
Charleston, West Virginia 25323

Phone: (304) 340-0317
FAX: (304) 340-0372

June 23, 1995

H. Wyatt Hanna, III, Esq.
Hanna and Hanna
P. O. Box 2311
Charleston, WV 25328

Re: Case No. 93-0460-S-CN
THE CITY OF SALEM, a municipal corporation;
and THE CITY OF SALEM SANITARY BOARD,
Salem, Harrison County.

Dear Mr. Hanna:

Please be advised that the Staff of the Public Service Commission has reviewed the Commission Order as entered on June 22, 1995, and takes no exception to that Order. You may be advised that the Staff has determined that no exceptions will be filed to that Order, and no appeals will be taken.

Sincerely,

DREXEL M. VEALEY
Staff Attorney
(304)340-0341

DMV/mh

cc: Howard M. Cunningham, Executive Secretary

CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

CROSS-RECEIPT FOR SERIES 1995 A BONDS AND BOND PROCEEDS

The undersigned, BARBARA B. MEADOWS, Secretary-Treasurer of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and Thomas G. Mason, Mayor of the City of Salem (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 27th day of June, 1995, the Authority received the City of Salem Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), issued in the principal amount of \$3,150,000, as a single, fully registered Bond, numbered AR-1 and dated June 27, 1995 (the "Series 1995 A Bonds").

2. At the time of such receipt of the Series 1995 A Bonds upon original issuance, the Series 1995 A Bonds had been executed by Thomas G. Mason, as Mayor of the Issuer, and by M. Jane Young, as Recorder of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Series 1995 A Bonds.

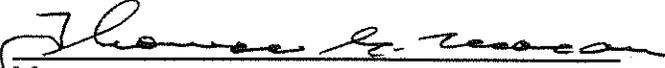
3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 1995 A Bonds, of \$297,196, being a portion of the principal amount of the Series 1995 A Bonds. The balance of the principal amount of the Series 1995 A Bonds will be advanced by the Authority and the West Virginia Division of Environmental Protection to the Issuer as acquisition and construction of the Project progresses.

WITNESS our respective signatures on this 27th day of June, 1995.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY


Secretary-Treasurer

CITY OF SALEM


Mayor

06/14/95
SALEMJ.J3
788170/91001

C

C

CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

DIRECTION TO AUTHENTICATE AND DELIVER SERIES 1995 A BONDS

One Valley Bank, National Association, as
Bond Registrar for the Series 1995 A Bonds
Charleston, West Virginia

Ladies and Gentlemen:

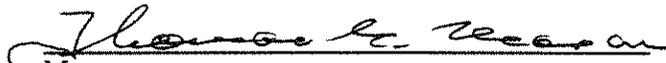
There are delivered to you herewith:

- (1) Bond No. AR-1, constituting the entire original issue of the City of Salem Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), in the principal amount of \$3,150,000, dated June 27, 1995 (the "Series 1995 A Bonds"), executed by the Mayor and Recorder of the City of Salem (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation");
- (2) A copy of the Bond Legislation authorizing the above-described Bond issue, duly certified by the Recorder of the Issuer;
- (3) Executed counterparts of the loan agreement dated May 18, 1995, and an addendum to the loan agreement dated May 31, 1995, by and among the West Virginia Division of Environmental Protection (the "DEP"), the West Virginia Water Development Authority (the "Authority") and the Issuer (collectively, the "Loan Agreement"); and
- (4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Series 1995 A Bonds.

You are hereby requested and authorized to deliver the Series 1995 A Bonds to the Authority upon payment to the Issuer of the sum of \$297,196, representing a portion of the principal amount of the Series 1995 A Bonds. Prior to such delivery of the Series 1995 A Bonds, you will please cause the Series 1995 A Bonds to be authenticated and registered by an authorized officer, as Bond Registrar for the Series 1995 A Bonds, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 27th day of June, 1995.

CITY OF SALEM



Mayor

06/14/95
SALEMJ.K3
788170/91001

CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 B

RECEIPT FOR SERIES 1995 B BONDS AND TRANSCRIPT

The undersigned, duly authorized representative of the United States Department of Agriculture, Farmers Home Administration, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

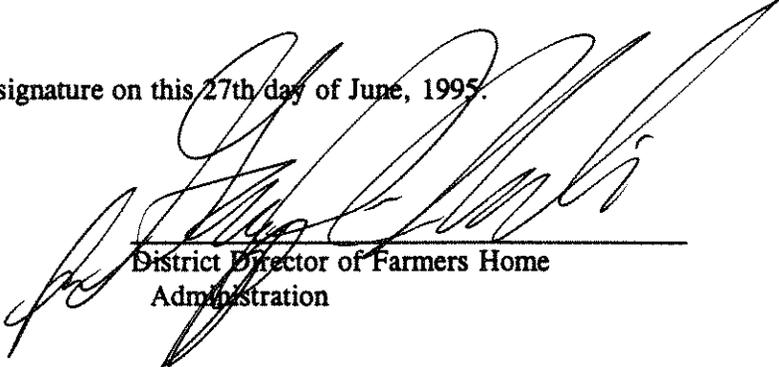
1. On the 27th day of June, 1995, at Clarksburg, West Virginia, the undersigned received for the Purchaser the single, fully registered City of Salem Sewer Revenue Bond, Series 1995 B, No. BR-1 (the "Series 1995 B Bond"), in the principal amount of \$2,000,000, dated the date hereof, bearing interest at the rate of 4.5% per annum, payable in monthly installments as stated in the Series 1995 B Bond.

2. At the time of such receipt, the Series 1995 B Bond had been executed and sealed by the designated officials of the City.

3. At the time of such receipt, there was paid to the City the sum of \$440,000, being a portion of the principal amount of the Series 1995 B Bond. The balance of the principal amount of the Series 1995 B Bond will be advanced to the City as acquisition and construction of the Project progresses.

4. At the time of such receipt, the undersigned also received three sets of Bond Transcript documents.

WITNESS my signature on this 27th day of June, 1995.



District Director of Farmers Home
Administration

06/13/95
SALEMJ.L3
788170/91001

[SPECIMEN SERIES 1995 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM
SEWER REVENUE BOND, SERIES 1995 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1

\$3,150,000

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 THREE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS (\$3,150,000), 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 December 1, 1996, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, without interest. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1996, as set forth on EXHIBIT B attached hereto.

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 upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, dated May 18, 1995, and an addendum to the Loan Agreement, dated May 31, 1995.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing public sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public sewerage system of the Issuer, 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 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bonds and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (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 WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1995 B, ISSUED CONCURRENTLY HERewith IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 1995 B BONDS"), AND THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 1995 C, ISSUED CONCURRENTLY HERewith IN THE AGGREGATE PRINCIPAL AMOUNT OF \$90,000 (THE "SERIES 1995 C 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 1995 B Bonds and the Series 1995 C Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1995 A 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 1995 A 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, the Series 1995 B Bonds, the Series 1995 C Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1995 A 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 the Series 1995 B Bonds, the Series 1995 C Bonds, and any other obligations outstanding prior to or on a parity with the 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 One Valley Bank, National Association, 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 Bond 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 the 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 owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the

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 and interest, if any, on 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 CITY OF SALEM 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 June 27, 1995.

[SEAL]

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1995 A 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: June 27, 1995.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

Authorized Officer

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

City of Salem \$3,150,000 0% Interest Rate and 1% Administrative Fee				
DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/1996	-	-	-	-
12/01/1996	39,375.00	-	-	39,375.00
3/01/1997	39,375.00	-	-	39,375.00
6/01/1997	39,375.00	-	-	39,375.00
9/01/1997	39,375.00	-	-	39,375.00
12/01/1997	39,375.00	-	-	39,375.00
3/01/1998	39,375.00	-	-	39,375.00
6/01/1998	39,375.00	-	-	39,375.00
9/01/1998	39,375.00	-	-	39,375.00
12/01/1998	39,375.00	-	-	39,375.00
3/01/1999	39,375.00	-	-	39,375.00
6/01/1999	39,375.00	-	-	39,375.00
9/01/1999	39,375.00	-	-	39,375.00
12/01/1999	39,375.00	-	-	39,375.00
3/01/2000	39,375.00	-	-	39,375.00
6/01/2000	39,375.00	-	-	39,375.00
9/01/2000	39,375.00	-	-	39,375.00
12/01/2000	39,375.00	-	-	39,375.00
3/01/2001	39,375.00	-	-	39,375.00
6/01/2001	39,375.00	-	-	39,375.00
9/01/2001	39,375.00	-	-	39,375.00
12/01/2001	39,375.00	-	-	39,375.00
3/01/2002	39,375.00	-	-	39,375.00
6/01/2002	39,375.00	-	-	39,375.00
9/01/2002	39,375.00	-	-	39,375.00
12/01/2002	39,375.00	-	-	39,375.00
3/01/2003	39,375.00	-	-	39,375.00
6/01/2003	39,375.00	-	-	39,375.00
9/01/2003	39,375.00	-	-	39,375.00
12/01/2003	39,375.00	-	-	39,375.00
3/01/2004	39,375.00	-	-	39,375.00
6/01/2004	39,375.00	-	-	39,375.00
9/01/2004	39,375.00	-	-	39,375.00
12/01/2004	39,375.00	-	-	39,375.00
3/01/2005	39,375.00	-	-	39,375.00
6/01/2005	39,375.00	-	-	39,375.00
9/01/2005	39,375.00	-	-	39,375.00
12/01/2005	39,375.00	-	-	39,375.00
3/01/2006	39,375.00	-	-	39,375.00
6/01/2006	39,375.00	-	-	39,375.00
9/01/2006	39,375.00	-	-	39,375.00
12/01/2006	39,375.00	-	-	39,375.00
3/01/2007	39,375.00	-	-	39,375.00
6/01/2007	39,375.00	-	-	39,375.00
9/01/2007	39,375.00	-	-	39,375.00
12/01/2007	39,375.00	-	-	39,375.00
3/01/2008	39,375.00	-	-	39,375.00
6/01/2008	39,375.00	-	-	39,375.00
9/01/2008	39,375.00	-	-	39,375.00
12/01/2008	39,375.00	-	-	39,375.00

Ferris, Baker Watts, Inc
Public Finance Department

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City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2009	39,375.00	-	-	39,375.00
6/01/2009	39,375.00	-	-	39,375.00
9/01/2009	39,375.00	-	-	39,375.00
12/01/2009	39,375.00	-	-	39,375.00
3/01/2010	39,375.00	-	-	39,375.00
6/01/2010	39,375.00	-	-	39,375.00
9/01/2010	39,375.00	-	-	39,375.00
12/01/2010	39,375.00	-	-	39,375.00
3/01/2011	39,375.00	-	-	39,375.00
6/01/2011	39,375.00	-	-	39,375.00
9/01/2011	39,375.00	-	-	39,375.00
12/01/2011	39,375.00	-	-	39,375.00
3/01/2012	39,375.00	-	-	39,375.00
6/01/2012	39,375.00	-	-	39,375.00
9/01/2012	39,375.00	-	-	39,375.00
12/01/2012	39,375.00	-	-	39,375.00
3/01/2013	39,375.00	-	-	39,375.00
6/01/2013	39,375.00	-	-	39,375.00
9/01/2013	39,375.00	-	-	39,375.00
12/01/2013	39,375.00	-	-	39,375.00
3/01/2014	39,375.00	-	-	39,375.00
6/01/2014	39,375.00	-	-	39,375.00
9/01/2014	39,375.00	-	-	39,375.00
12/01/2014	39,375.00	-	-	39,375.00
3/01/2015	39,375.00	-	-	39,375.00
6/01/2015	39,375.00	-	-	39,375.00
9/01/2015	39,375.00	-	-	39,375.00
12/01/2015	39,375.00	-	-	39,375.00
3/01/2016	39,375.00	-	-	39,375.00
6/01/2016	39,375.00	-	-	39,375.00
9/01/2016	39,375.00	-	-	39,375.00
TOTAL	3,150,000.00	-	-	3,150,000.00

Ferris, Baker Watts, Inc
Public Finance Department

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YIELD STATISTICS

Accrued Interest from 09/01/1996 to 09/01/1996...	-
Average Life.....	10.125 YEARS
Bond Years.....	31,893.75
Average Coupon.....	-
Bond Yield for Arbitrage Purposes.....	-
True Interest Cost (TIC).....	-
Effective Interest Cost (EIC).....	1.0009790%

City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
9/01/1996	-	-	-
12/01/1996	39,375.00	7,875.00	47,250.00
3/01/1997	39,375.00	7,776.56	47,151.56
6/01/1997	39,375.00	7,678.13	47,053.13
9/01/1997	39,375.00	7,579.69	46,954.69
12/01/1997	39,375.00	7,481.25	46,856.25
3/01/1998	39,375.00	7,382.81	46,757.81
6/01/1998	39,375.00	7,284.38	46,659.38
9/01/1998	39,375.00	7,185.94	46,560.94
12/01/1998	39,375.00	7,087.50	46,462.50
3/01/1999	39,375.00	6,989.06	46,364.06
6/01/1999	39,375.00	6,890.63	46,265.63
9/01/1999	39,375.00	6,792.19	46,167.19
12/01/1999	39,375.00	6,693.75	46,068.75
3/01/2000	39,375.00	6,595.31	45,970.31
6/01/2000	39,375.00	6,496.88	45,871.88
9/01/2000	39,375.00	6,398.44	45,773.44
12/01/2000	39,375.00	6,300.00	45,675.00
3/01/2001	39,375.00	6,201.56	45,576.56
6/01/2001	39,375.00	6,103.13	45,478.13
9/01/2001	39,375.00	6,004.69	45,379.69
12/01/2001	39,375.00	5,906.25	45,281.25
3/01/2002	39,375.00	5,807.81	45,182.81
6/01/2002	39,375.00	5,709.38	45,084.38
9/01/2002	39,375.00	5,610.94	44,985.94
12/01/2002	39,375.00	5,512.50	44,887.50
3/01/2003	39,375.00	5,414.06	44,789.06
6/01/2003	39,375.00	5,315.63	44,690.63
9/01/2003	39,375.00	5,217.19	44,592.19
12/01/2003	39,375.00	5,118.75	44,493.75
3/01/2004	39,375.00	5,020.31	44,395.31
6/01/2004	39,375.00	4,921.88	44,296.88
9/01/2004	39,375.00	4,823.44	44,198.44
12/01/2004	39,375.00	4,725.00	44,100.00
3/01/2005	39,375.00	4,626.56	44,001.56
6/01/2005	39,375.00	4,528.13	43,903.13
9/01/2005	39,375.00	4,429.69	43,804.69
12/01/2005	39,375.00	4,331.25	43,706.25
3/01/2006	39,375.00	4,232.81	43,607.81
6/01/2006	39,375.00	4,134.38	43,509.38
9/01/2006	39,375.00	4,035.94	43,410.94
12/01/2006	39,375.00	3,937.50	43,312.50
3/01/2007	39,375.00	3,839.06	43,214.06
6/01/2007	39,375.00	3,740.63	43,115.63
9/01/2007	39,375.00	3,642.19	43,017.19

Ferris, Baker Watts, Inc
Public Finance Department

FILE = BRIDGE
5/30/1995 12:57 PM

City of Salem
\$3,150,000
0% Interest Rate and 1% Administrative Fee

NET DEBT SERVICE SCHEDULE

DATE	DEBT SERVICE	TOTAL EXPENSE	NEW NET D/S
12/01/2007	39,375.00	3,543.75	42,918.75
3/01/2008	39,375.00	3,445.31	42,820.31
6/01/2008	39,375.00	3,346.88	42,721.88
9/01/2008	39,375.00	3,248.44	42,623.44
12/01/2008	39,375.00	3,150.00	42,525.00
3/01/2009	39,375.00	3,051.56	42,426.56
6/01/2009	39,375.00	2,953.13	42,328.13
9/01/2009	39,375.00	2,854.69	42,229.69
12/01/2009	39,375.00	2,756.25	42,131.25
3/01/2010	39,375.00	2,657.81	42,032.81
6/01/2010	39,375.00	2,559.38	41,934.38
9/01/2010	39,375.00	2,460.94	41,835.94
12/01/2010	39,375.00	2,362.50	41,737.50
3/01/2011	39,375.00	2,264.06	41,639.06
6/01/2011	39,375.00	2,165.63	41,540.63
9/01/2011	39,375.00	2,067.19	41,442.19
12/01/2011	39,375.00	1,968.75	41,343.75
3/01/2012	39,375.00	1,870.31	41,245.31
6/01/2012	39,375.00	1,771.88	41,146.88
9/01/2012	39,375.00	1,673.44	41,048.44
12/01/2012	39,375.00	1,575.00	40,950.00
3/01/2013	39,375.00	1,476.56	40,851.56
6/01/2013	39,375.00	1,378.13	40,753.13
9/01/2013	39,375.00	1,279.69	40,654.69
12/01/2013	39,375.00	1,181.25	40,556.25
3/01/2014	39,375.00	1,082.81	40,457.81
6/01/2014	39,375.00	984.38	40,359.38
9/01/2014	39,375.00	885.94	40,260.94
12/01/2014	39,375.00	787.50	40,162.50
3/01/2015	39,375.00	689.06	40,064.06
6/01/2015	39,375.00	590.63	39,965.63
9/01/2015	39,375.00	492.19	39,867.19
12/01/2015	39,375.00	393.75	39,768.75
3/01/2016	39,375.00	295.31	39,670.31
6/01/2016	39,375.00	196.88	39,571.88
9/01/2016	39,375.00	-	39,375.00
TOTAL	3,150,000.00	318,839.06	3,468,839.06

Ferris, Baker Watts, Inc
Public Finance Department

FILE = BRIDGE
5/30/1995 12:57 PM

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:

7

6

.....

.....

[SPECIMEN SERIES 1995 B BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM
SEWER REVENUE BOND, SERIES 1995 B

No. BR-1

\$2,000,000

FOR VALUE RECEIVED, the CITY OF SALEM (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 MILLION DOLLARS (\$2,000,000), plus interest on the unpaid principal balance at the rate of 4.5% 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 twenty-four months after the date hereof, and \$9,180, 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 construction and acquisition of additions, extensions and improvements to the sewerage system (the "System") of the Borrower, is payable solely from 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, nor shall the Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

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 said office of the

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, as amended (the "Act"), and a Bond and Notes Ordinance of the Borrower duly enacted authorizing issuance of this Bond and a resolution supplemental thereto duly adopted (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 WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,150,000, AND THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 1995 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF \$90,000.

IN WITNESS WHEREOF, the CITY OF SALEM 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, and has caused this Bond to be dated June 27, 1995.

CITY OF SALEM

[CORPORATE SEAL]

Mayor

Post Office Box 352
Salem, West Virginia 26426

ATTEST:

Recorder

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:

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

104 WEST CONGRESS STREET

P. O. BOX 100

CHARLES TOWN, W. VA. 25414-0100

(304) 725-1414

FACSIMILE (304) 725-1913

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET, FOURTH FLOOR
HAGERSTOWN, MARYLAND 21740-0570

(301) 739-8600

FACSIMILE (301) 739-8742

FOURTH FLOOR - RILEY BUILDING

14TH AND CHAPLINE STREETS

P. O. BOX 150

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

WRITER'S DIRECT DIAL NUMBER

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FACSIMILE (304) 353-8180

1000 HAMPTON CENTER

P. O. BOX 1616

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(304) 598-8000

FACSIMILE (304) 598-8116

126 EAST BURKE STREET

P. O. BOX 2629

MARTINSBURG, W. VA. 25401-5429

(304) 263-6991

FACSIMILE (304) 263-4785

June 27, 1995

City of Salem

Sewer Revenue Bonds, Series 1995 A

(West Virginia SRF Program)

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

West Virginia Division of
Environmental Protection
617 Broad Street
Charleston, West Virginia 25301

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the City of Salem (the "Issuer"), a municipal corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its \$3,150,000 Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement dated May 18, 1995, and an addendum to the loan agreement dated May 31, 1995, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and among the Issuer, the West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal only to the Authority, bearing no interest, with principal installments payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 1996, and ending September 1, 2016, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are 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 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of acquisition and construction of additions, betterments and improvements to the existing sewerage facilities of the Issuer (the "Project"); and (ii) and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Act, the Bond and Notes Ordinance duly enacted by the Issuer on June 26, 1995, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

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

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority and the DEP or diminish the obligations of the Issuer without the written consent of the Authority and the DEP.

3. The Bond Legislation and all other necessary ordinances and resolutions have been duly and effectively enacted and adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to the liens, pledge of and source of and security for payment with the Issuer's Sewer Revenue Bonds, Series 1995 B, issued concurrently herewith in the aggregate principal amount of \$2,000,000, and the Issuer's Sewer Refunding Revenue Bonds, Series 1995 C, issued concurrently herewith in the aggregate principal amount of \$90,000 (the "Series 1995 C Bonds"), all in accordance with the terms of the Bonds and the Bond Legislation. The proceeds of the Series 1995 C Bonds, together with other moneys of the Issuer, will be used to pay in full the principal of, redemption premium and interest accrued on the Issuer's Sewer Revenue Bonds, dated August 1, 1962, on August 1, 1995, being the redemption date thereof.

5. The Bonds are, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and the interest on the 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 holders of the Bonds and the enforceability of the Bonds, the Loan Agreement and the Bond Legislation, and the liens and pledges therein, may be

subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond numbered AR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

Stephoe & Johnson

STEPHOE & JOHNSON

06/23/95
SALEMC.M4
788170/91001

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

June 27, 1995

City of Salem

Sewer Revenue Bonds, Series 1995 B

104 WEST CONGRESS STREET

P. O. BOX 100

CHARLES TOWN, W. VA. 25414-0100

(304) 725-1414

FACSIMILE (304) 725-1913

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET, FOURTH FLOOR

HAGERSTOWN, MARYLAND 21740-0570

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14TH AND CHAPLINE STREETS

P. O. BOX 150

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

WRITER'S DIRECT DIAL NUMBER

SEVENTH FLOOR, BANK ONE CENTER

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(304) 353-8000

FACSIMILE (304) 353-8180

1000 HAMPTON CENTER

P. O. BOX 1616

MORGANTOWN, W. VA. 26507-1616

(304) 598-8000

FACSIMILE (304) 598-8116

126 EAST BURKE STREET

P. O. BOX 2629

MARTINSBURG, W. VA. 25401-5429

(304) 263-6991

FACSIMILE (304) 263-4785

City of Salem
Salem, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the City of Salem, in Harrison County, West Virginia (the "Issuer"), of its \$2,000,000 Sewer Revenue Bonds, Series 1995 B, dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), a Bond and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation"). We have examined the law and such certified copies of 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 a duly created and presently existing 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 Bonds, all under the Act and other applicable provisions of law.

2. The Bond Legislation has been duly and effectively 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 Net Revenues pledged by the Bond Legislation for the security of the Bonds on a parity with the Issuer's Sewer Revenue Bonds, Series 1995 A, issued concurrently herewith in the aggregate principal amount of \$3,150,000, and the Issuer's Sewer Refunding Revenue Bonds, Series 1995 C, issued concurrently herewith in the aggregate principal amount of \$90,000 (the "Series 1995 C Bonds"), subject to no other prior lien granted

under the Act. The proceeds of the Series 1995 C Bonds, together with other moneys of the Issuer, will be used to pay in full the principal of, redemption premium and interest accrued on the Issuer's Sewer Revenue Bonds, dated August 1, 1962, on August 1, 1995, being the redemption date thereof.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Bond Legislation.

5. The Bonds have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the 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 Bonds.

6. The Bonds are, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and interest on the 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 holders of the Bonds and the enforceability of the 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,

Stephoe & Johnson

STEPTOE & JOHNSON

06/21/95
SALEMC.O4
788170/91001

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2

THOMAS H. FLUHARTY
ATTORNEY AT LAW
408 LEE AVENUE
CLARKSBURG, WEST VIRGINIA
26301

DAVID M. LAIGN
ASSOCIATE

304/624-7832
FAX: 304/622-7649

June 27, 1995

City of Salem
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

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

West Virginia Division of Environmental
Protection
617 Broad Street
Charleston, West Virginia 25301

Steptoe & Johnson
Post Office Box 2190
Clarksburg, West Virginia 26301

Ladies and Gentlemen:

I am counsel to the City of Salem, a municipal corporation in Harrison County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a loan agreement dated May 18, 1995, and an addendum to the loan agreement dated May 31, 1995, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and among the West Virginia Division of Environmental Protection (the "DEP"), the West Virginia Water Development Authority (the "Authority") and the Issuer, a Bond and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation"), and other documents relating to the above-captioned Bonds of the Issuer (the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

I am of the opinion that:

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

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

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

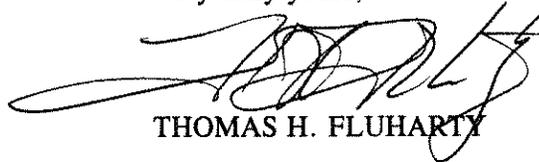
4. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

5. The Issuer has received all permits, licenses, approvals and authorizations necessary for the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, and has 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 such rate ordinance has expired prior to the date hereof without any appeal.

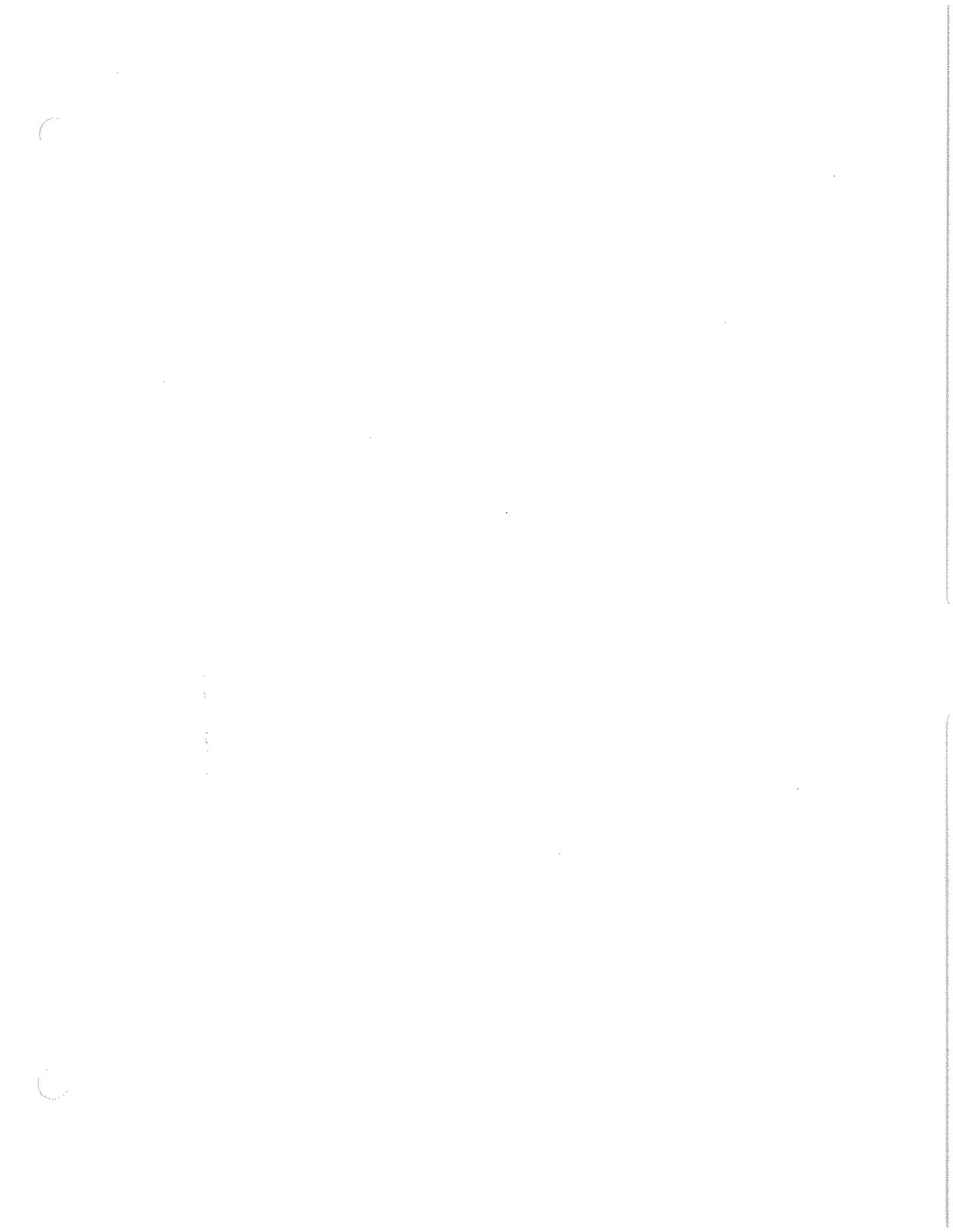
6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

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

Very truly yours,



THOMAS H. FLUHARTY



THOMAS H. FLUHARTY
ATTORNEY AT LAW
408 LEE AVENUE
CLARKSBURG, WEST VIRGINIA
26301

DAVID M. LAIGN
ASSOCIATE

304/624-7832
FAX: 304/622-7649

June 27, 1995

City of Salem
Sewer Revenue Bonds, Series 1995 B

City of Salem
Salem, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ladies and Gentlemen:

I am counsel to the City of Salem, a municipal corporation in Harrison County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a Bond and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and a Supplemental Resolution duly adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation when used herein.

I am of the opinion that:

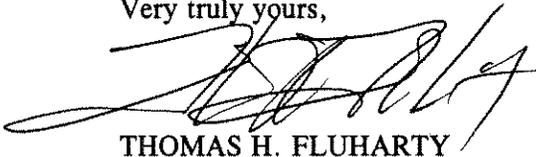
1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia. The Sanitary Board of the Issuer is duly created and validly existing as a sanitary board pursuant to the Act.
2. The Mayor, Recorder and members of the Council and the Sanitary Board of the Issuer have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act 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. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the issuance of the Bonds, 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 appeal.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

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

Very truly yours,



THOMAS H. FLUHARTY

06/12/95
SALEMC.R2
788170/91001

HANNA AND HANNA

Attorneys-At-Law
1510 Kanawha Boulevard, East
Charleston, West Virginia 25311
(304) 342-2137
FAX (304) 342-2130

HOMER W. HANNA, JR.
1926-1993

SAMUEL F. HANNA
H. WYATT HANNA, III

MAILING ADDRESS:
P.O. BOX 2311
CHARLESTON, W. VIRGINIA 25328

June 27, 1995

WV Water Development Authority
1201 Dunbar Avenue
Dunbar, WV 25064

WV Division of Environmental Protection
617 Broad Street
Charleston, WV 25301

Farmers Home Administration
Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500

Steptoe & Johnson
P.O. Box 2190
Clarksburg, WV 26302-2190

Re: City of Salem and the City of Salem Sanitary
Board, Harrison County, West Virginia
Case No. 93-0460-S-CN (Reopened)
Before the Public Service Commission of WV

Ladies and Gentlemen:

I am Counsel to the City of Salem, a municipal corporation, and the City of Salem Sanitary Board, located in Harrison County, West Virginia (the "Issuer"), in connection with the Issuer's case before the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity to construct a wastewater treatment plant and collection system.

The Issuer has received all requisite Orders and approvals from the Public Service Commission. The time for appeal of the Final Order of the Public Service Commission of West Virginia entered September 2, 1993, in Case No. 93-0460-S-CN, granting the Issuer a Certificate of public Convenience and Necessity with respect to the Project has expired prior to the date hereof without any appeal. The time for appeal of the Final Order of the Public Service Commission of West Virginia entered June 22, 1995, in Case

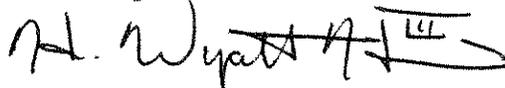
Page 2
June 27, 1995

No. 93-0460-S-CN (Reopened), approving the additional financing and revised total project costs for this Project has not expired prior to the date hereof. However, the Staff of the Public Service Commission of West Virginia has stated in a letter dated June 23, 1995, that it does not intend to appeal such Final Order. The Issuer has certified that it will not appeal such Final Order. The Issuer and the Public Service Commission of West Virginia are the only parties to Case No. 93-0460-S-CN (Reopened). The Final Order is not subject to appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

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

If you should have any questions regarding this matter, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Wyatt Hanna, III". The signature is stylized and includes a horizontal line with a small "III" above it at the end.

H. Wyatt Hanna, III

HWHIII/rb

cc: The Honorable Tom Mason
Thomas H. Fluharty, Esquire
Ralph Laton, CPA



CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME, ETC.
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. GRANTS
11. LOAN AGREEMENT
12. RATES
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION AND PUBLIC HEARING ON BOND
ORDINANCE
16. PUBLIC SERVICE COMMISSION ORDER
17. SPECIMEN BOND
18. CONFLICT OF INTEREST
19. CLEAN WATER ACT

We, the undersigned MAYOR and RECORDER of the City of Salem, in Harrison County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the \$3,150,000 Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), of the Issuer, dated the date hereof (the "Bonds" or the "Series 1995 A Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as in the Bond and Notes Ordinance enacted by the Issuer on June 26, 1995, and a Supplemental Resolution adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the receipt of the Grant Receipts or the Net Revenues, or in any way contesting or affecting the validity of the Bonds or the Grants or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net

Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, the receipt of the Grant Receipts or such pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System and the issuance of the Bonds have been obtained and remain in full force and effect, and competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement entered into among the Issuer, the DEP and the Authority. The Issuer will provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are to be issued contemporaneously with the issuance of the Series 1995 A Bonds, the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Series 1995 B Bonds"), and Sewer Refunding Revenue Bonds, Series 1995 C (the "Series 1995 C Bonds"). The Series 1995 A Bonds shall be issued on a parity with the Series 1995 B Bonds and the Series 1995 C Bonds as to liens, pledge and source of and security for payment. Other than the Series 1995 B Bonds and the Series 1995 C Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

The proceeds of the Series 1995 C Bonds, together with other moneys of the Issuer, will be used to pay in full the principal of, redemption premium and interest accrued on the Issuer's Sewer Revenue Bonds, dated August 1, 1962 (the "Prior Bonds"), on August 1, 1995, being the redemption date thereof. On the date hereof, the moneys for the redemption of the Prior Bonds have been irrevocably set aside in an escrow fund and the Prior Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing the Prior Bonds, and the covenants, agreements and obligations of the Issuer to the holders of the Prior Bonds have been satisfied and discharged.

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

City Charter.

Oaths of Office of Councilmembers.

Ordinance Creating Sanitary Board.

Petition of Sanitary Board.

Bond and Notes Ordinance.

Supplemental Resolution.

Bond Ordinance and Supplemental Resolution of Series 1995 C Bonds.

Rate Ordinance.

Affidavit of Publication of Rate Ordinance and Notice of Public Hearing.

Minutes on Adoption and Enactment of Rate Ordinance.

Affidavit of Publication of Abstract of Bond Ordinance and Notice of Hearing.

Minutes on Adoption and Enactment of Bond Ordinance and Adoption of Supplemental Resolution.

Loan Agreement.

NPDES Permit.

FmHA Grant Agreement.

Evidence of Small Cities Block Grant.

Evidence of EPA Design Advance Assistance Grant.

Public Service Commission Final Orders entered August 13, 1993, and June 22, 1995.

6. **INCUMBENCY AND OFFICIAL NAME, ETC.:** The proper name of the Issuer is "City of Salem." The Issuer is a municipal corporation in Harrison County and 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 and

6 councilmembers, all duly elected, qualified and acting, 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>
Thomas G. Mason	- Mayor	July 1, 1993	June 30, 1995
H. David Cutlip	- Councilmember	July 1, 1993	June 30, 1995
David W. Fisher	- Councilmember	July 1, 1993	June 30, 1995
Kenneth J. Pethtel	- Councilmember	July 1, 1993	June 30, 1995
Florence J. Hunt	- Councilmember	July 1, 1993	June 30, 1995
Ronald W. Carder	- Councilmember	July 1, 1993	June 30, 1995
William D. Price	- Councilmember	July 1, 1993	June 30, 1995

The duly appointed, qualified and acting Recorder of the Issuer is M. Jane Young.

The duly appointed, qualified and acting members of the Sanitary Board of the Issuer are as follows:

Thomas G. Mason	-	Chairman
William Hayes	-	Member
John DeFrancis, P.E.	-	Member

The duly appointed and acting counsel to the Issuer is Thomas H. Fluharty, Esquire, of Clarksburg, West Virginia. The duly appointed and acting counsel to the Issuer in connection with the Issuer's case before the Public Service Commission of West Virginia is Hanna & Hanna.

7. **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 and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the 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 Bonds.

8. **MEETINGS, 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 issuance of the Bonds, the acquisition, construction, operation and financing of the

Project or the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A of the 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 posted and/or published were so posted and/or published.

9. **CONTRACTORS' INSURANCE, ETC.:** All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation is in full force and effect.

10. **GRANTS:** As of the date hereof, the grant from the Purchaser in the amount of \$750,000, the grant from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) in the amount of \$750,000, and the grant from the United States Environmental Protection Agency in the amount of \$131,418 are committed and in full force and effect.

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

12. **RATES:** The Issuer has duly enacted a sewer rate ordinance on October 25, 1994, setting rates and charges for the services of the System. The time for appeal of such rate ordinance has expired and such rate ordinance is currently in effect.

13. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Mayor did officially sign all of the Series 1995 A Bonds, consisting upon original issuance of a single Bond, numbered AR-1, dated the date hereof, by his manual signature, and the undersigned Recorder did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received \$297,196 from the DEP and the Authority, being more than a de minimis amount of the principal of the Series 1995 A Bonds. The balance of the principal amount of the Series 1995 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

15. **PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE:** Upon adoption of the Bond and Notes Ordinance, an abstract thereof, determined by the Governing Body to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in The Clarksburg Exponent and The Clarksburg Telegram, two newspapers of general circulation in the City of Salem, there being no newspaper published therein, together with a notice to all persons concerned, stating that the Bond and Notes Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Bond and Notes Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 26th day of June, 1995, at 7:00 p.m., in the Council Chambers of the City Hall of the City of Salem and present protests, and stating that a certified copy of the Bond and Notes Ordinance was on file at the office of the Recorder of the Issuer for review by interested parties during the office hours of the Recorder. At such hearing all objections and suggestions were heard by the Governing Body and the Bond and Notes Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

16. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received a Final Order of the Public Service Commission of West Virginia entered August 13, 1993, in Case No. 93-0460-S-CN, granting to the Issuer a certificate of public convenience and necessity for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. The Issuer has also received the Final Order of the Public Service Commission of West Virginia entered June 22, 1995, in Case No. 93-0460-S-CN (Reopened), approving the additional financing for the Project. The time for appeal of such Final Order has not expired prior to the date hereof. However, the staff of the Public Service Commission of West Virginia has stated in a letter dated June 23, 1995, that it will not appeal such Final Order. The Issuer hereby certifies that it does not intend to appeal such Final Order. The Issuer and the Public Service Commission of West Virginia are the only parties to Case No. 93-0460-S-CN (Reopened). The Final Order is not subject to appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

17. **SPECIMEN BOND:** Delivered concurrently herewith is a true and accurate specimen of the Bond.

18. **CONFLICT OF INTEREST:** No member, 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 Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. 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.

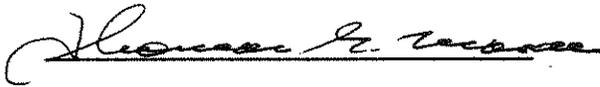
19. CLEAN WATER ACT: The Project as described in the Bond Legislation complies with Sections 208 and 303(e) of the Clean Water Act.

WITNESS our signatures and the official seal of the CITY OF SALEM on this 27th day of June, 1995.

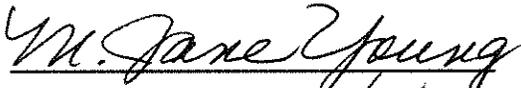
[CORPORATE SEAL]

SIGNATURE

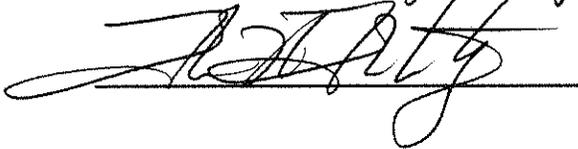
OFFICIAL TITLE



Mayor



Recorder



Counsel to Issuer

06/23/95
SALEMJ.S5
788170/91001

CITY OF SALEM

Sewer Revenue Bonds, Series 1995 B

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BONDS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES, ETC.
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. DELIVERY AND PAYMENT AND USE OF PROCEEDS
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
11. CONTRACTORS' INSURANCE, ETC.
12. CONNECTIONS, ETC.
13. MANAGEMENT
14. GRANTS
15. PUBLICATION AND NO PROTEST
16. RATE FILING WITH PSC

We, the undersigned MAYOR and RECORDER of the City of Salem, in Harrison County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the City of Salem Sewer Revenue Bonds, Series 1995 B, No. BR-1, dated the date hereof, fully registered, in the principal amount of \$2,000,000, and bearing interest at the rate of 4.5% per annum (the "Bonds" or the "Series 1995 B Bonds"), as follows:

1. **AUTHORIZATION AND AWARD OF BONDS:** 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 Bonds have been duly awarded to the United States Department of Agriculture, Farmers Home Administration, acting for and on behalf of the United States of America (the "Purchaser"), pursuant to a Letter of Conditions from the Purchaser, as amended, and as appears in the Bonds and Notes Ordinance duly enacted by the Issuer on June 26, 1995, and Section 12 of the Supplemental Resolution duly adopted by the Issuer on June 26, 1995, authorizing issuance of the Bonds (collectively, the "Bond Legislation"). The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project, herein defined and described, located within the boundaries or jurisdiction of the Issuer.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Bonds or receipt of any grant moneys committed for the Project; nor questioning the proceedings and authority by which

the Issuer authorized the issuance and sale of the Bonds; nor in any way questioning or affecting the validity of the grants committed for the Project or the 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 (as added to, extended and improved by the Project, herein defined, the "System") or the acquisition and construction of additions, extensions or improvements thereto (the "Project"), a portion of the cost of which is being financed out of the proceeds of sale of the 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 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 were solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended.

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

There are to be issued contemporaneously with the issuance of the Series 1995 B Bonds, the Issuer's Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) (the "Series 1995 A Bonds") and Sewer Refunding Revenue Bonds, Series 1995 C (the "Series 1995 C Bonds"). The Series 1995 B Bonds shall be issued on a parity with the Series 1995 A Bonds and the Series 1995 C Bonds as to liens, pledge and source of and security for payment. Other than the Series 1995 A Bonds and the Series 1995 C Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

The proceeds of the Series 1995 C Bonds, together with other moneys of the Issuer, will be used to pay in full the principal of, redemption premium and interest accrued on the Issuer's Sewer Revenue Bonds, dated August 1, 1962 (the "Prior Bonds"), on August 1, 1995, being the redemption date thereof. On the date hereof, the moneys for the redemption of the Prior Bonds have been irrevocably set aside in an escrow fund and the Prior Bonds have been paid within the meaning and with the effect expressed in the ordinance authorizing the Prior Bonds, and the covenants, agreements and obligations of the Issuer to the holders of the Prior Bonds have been satisfied and discharged.

5. SIGNATURES, ETC.: The undersigned Mayor and Recorder did, for the Issuer on the date of delivery of the Series 1995 B Bonds on the date hereof, officially execute and seal the Series 1995 B Bonds, consisting upon original issuance of a single Bond, numbered BR-1, 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 1995 B Bonds for the Issuer.

6. 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 or changed in any way unless modification appears from later documents also listed below:

City Charter.

Oaths of Office of Councilmembers.

Ordinance Creating Sanitary Board.

Petition of Sanitary Board.

Bond and Notes Ordinance.

Supplemental Resolution.

Bond Ordinance and Supplemental Resolution of Series 1995 C Bonds.

Rate Ordinance.

Affidavit of Publication of Rate Ordinance and Notice of Public Hearing.

Minutes on Adoption and Enactment of Rate Ordinance.

Affidavit of Publication of Abstract of Bond Ordinance and Notice of Hearing.

Minutes on Adoption and Enactment of Bond Ordinance and Adoption of Supplemental Resolution.

Loan Agreement.

NPDES Permit.

FmHA Grant Agreement.

Evidence of Small Cities Block Grant.

Evidence of EPA Design Advance Assistance Grant.

Public Service Commission Final Orders entered August 13, 1993, and June 22, 1995.

The undersigned Mayor hereby covenants that he has or will file tariffs pursuant to said Final Order of the Public Service Commission when the completion date of the Project is definitely known, or has or will cause such tariffs to be filed in accordance with said Order or as otherwise required by law.

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper name of the Issuer is "City of Salem." The Issuer is a municipal corporation in Harrison County and 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 and 6 councilmembers, all duly elected, qualified and acting, 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>
Thomas G. Mason	- Mayor	July 1, 1993	June 30, 1995
H. David Cutlip	- Councilmember	July 1, 1993	June 30, 1995
David W. Fisher	- Councilmember	July 1, 1993	June 30, 1995
Kenneth J. Pethtel	- Councilmember	July 1, 1993	June 30, 1995
Florence J. Hunt	- Councilmember	July 1, 1993	June 30, 1995
Ronald W. Carder	- Councilmember	July 1, 1993	June 30, 1995
William D. Price	- Councilmember	July 1, 1993	June 30, 1995

The duly appointed, qualified and acting Recorder of the Issuer is M. Jane Young.

The names of the duly appointed, qualified and acting members of the Sanitary Board of the Issuer are as follows:

Thomas G. Mason - Chairman
William Hayes - Member
John DeFrancis, P.E. - Member

The duly appointed and acting Attorney for the Issuer is Thomas H. Fluharty, Esquire, of Clarksburg, West Virginia. The duly appointed and acting counsel to the Issuer in connection with the Issuer's case before the Public Service Commission of West Virginia is Hanna & Hanna.

8. **DELIVERY AND PAYMENT AND USE OF PROCEEDS:** On the date hereof, the Series 1995 B Bonds were delivered to the Purchaser at Clarksburg, West Virginia, by the undersigned Mayor for the purposes set forth herein, and at the time of such delivery, the Series 1995 B Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Legislation.

At the time of delivery of the Series 1995 B Bonds, the amount of \$440,000 was received by the undersigned Mayor, being a portion of the principal amount of the Series 1995 B Bonds. The balance of the principal amount of the Series 1995 B Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

The Series 1995 B Bonds are dated the date hereof, and interest thereon at the rate of 4.5% per annum is payable from the date of each respective advance.

The Series 1995 B Bonds and the entire proceeds thereof have been and will be used for the purposes herein set forth and for no other purposes.

9. **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 and 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 Bonds.

10. **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 or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the 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 posted and/or published were so posted and/or published.

11. **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 and Commitment of the Purchaser, as amended, and the Bond Legislation.

12. **CONNECTIONS, ETC.:** The Issuer has provided evidence that there will be at least 797 bona fide full time users upon the Project on completion in full compliance with the requirements and conditions of the Purchaser.

13. **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.

14. **GRANTS:** As of the date hereof, the grant from the Purchaser in the amount of \$750,000, the grant from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) in the amount of \$750,000, and the grant from the United States Environmental Protection Agency in the amount of \$131,418 are committed and in full force and effect.

15. **PUBLICATION AND NO PROTEST:** Notice of public hearing upon the Bonds and Notes Ordinance, finally adopted and enacted June 26, 1995, was duly published as required by law.

There was not any protest to the passage of the Bonds and Notes Ordinance, oral or written, and such Ordinance became fully effective on June 26, 1995, following such public hearing, and remains in full force and effect.

16. **RATE FILING WITH PSC:** Pursuant to West Virginia Code Section 24-2-4b, the Issuer has filed the rates and rules contained in the rate ordinance authorizing such rates and rules with the Public Service Commission of West Virginia.

WITNESS our signatures and the official seal of the City of Salem on this 27th day of June, 1995.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Thomas G. Mason

Mayor

M. Jane Young

Recorder

A. J. [Signature]

Attorney for Issuer

06/23/95
SALEMJ.T5
788170/91001



CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

CERTIFICATE OF ENGINEER

I, William R. Yunker, Registered Professional Engineer, West Virginia License No. 4513, of Kananui Associates, Consulting Engineers, in Beckley, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain additions, betterments and improvements (the "Project") to the existing sewerage system of the City of Salem (the "Issuer") to be constructed primarily in Harrison County, West Virginia, which acquisition and construction are being financed in part by proceeds of the above-captioned bonds (the "Bonds") of the Issuer and grant proceeds. Capitalized words used herein and not otherwise defined herein shall have the meaning set forth in the Bond and Notes Ordinance enacted by the Issuer on June 26, 1995, as supplemented by the Supplemental Resolution adopted by the Issuer on June 26, 1995, and the Loan Agreement dated May 18, 1995, and an addendum to the Loan Agreement dated May 31, 1995, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP").

2. The Bonds are being issued for the purposes of paying a portion of the costs of acquisition and construction of the Project, and paying costs of issuance and related costs.

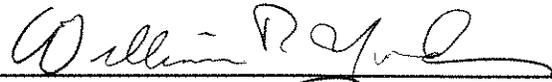
3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm, or amendments thereto, and as described in the Application submitted to the DEP and the Authority requesting the Authority to purchase the Series 1995 A Bonds (the "Application") and approved by all necessary governmental bodies and will be situate wholly or chiefly within the boundaries of the Issuer; (ii) the Project is adequate for the purpose for which it was designed and all applicable and necessary governmental approvals, certificates, permits, exemptions, consents and authorizations for the acquisition and construction thereof have been obtained; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and are otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds will be verified by my firm for accuracy and completeness; (iv) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States of America necessary for acquisition and construction of the Project and the operation of the System; (v) the useful life of the facilities constituting the Project is not less than 40 years; (vi) the rates and charges for the System as adopted

by the Issuer are sufficient to comply with the provisions of Section 4.1(b) of the Loan Agreement; (vii) the net proceeds of the Bonds, together with the proceeds of grants and other moneys of the Issuer on deposit or to be simultaneously deposited and irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project as set forth in the Application; and (ix) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this 27th day of June, 1995.

KANAKANUI ASSOCIATES

[SEAL]

By 
West Virginia License No. 4513

06/19/95
SALEMC.V3
788170/91001

Amended May 30, 1995

SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: City of Salem

ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS
AND COST OF FINANCING

A. Cost of Project

1. Construction	\$	<u>4,411,155</u>	
2. Technical Services	\$	<u>1,138,550</u>	
3. Legal and Fiscal	\$	<u>40,000</u>	
4. Administrative	\$	<u>67,000</u>	
* 5. Site and Other Lands	\$	<u>261,453</u>	
* 6. Step I and/or Step II (Design) or Other Loan Repayment (Specify Type : _____)			
7. Interim Financing Costs	\$	<u>286,365</u>	
8. Contingency	\$	<u>396,895</u>	
9. Total of Lines 1 Through 8	\$	<u>6,601,418</u>	\$ <u>6,601,418</u>

B. Sources of Funds

10. Federal Grants :	FmHA	\$	<u>750,000</u>	
(Specify Sources)	EPA-Design	\$	<u>131,418</u>	
11. State Grants :	SCBG	\$	<u>750,000</u>	
(Specify Sources)		\$		
		\$		
12. Other Grants :		\$		
(Specify Sources)		\$		
13. Any Other Source :		\$		
(Specify)	FmHA Loan	\$	<u>2,000,000</u>	
14. Total of Lines 10 Through 13				\$ <u>3,631,418</u>
15. Net Proceeds Required from Bond Issue (Line 9 Less than 14)				\$ <u>2,970,000</u>

C. Cost of Financing

16. Capitalized Interest (Construction period plus six months)	\$	<u>150,000</u>	
17. Funded Reserve Account :	\$		
18. Other Costs : Bond Counsel	\$	<u>30,000</u>	
	\$		
19. Total Cost of Financing (lines 16 through 18)	\$		\$ <u>180,000</u>
20. Size of Bond Issue (Line 15 plus Line 19)	\$		\$ <u>3,150,000</u>

* not allowable for State Revolving Fund Assistance

C

C



Smith, Cochran & Hicks
Certified Public Accountants

June 27, 1995

City of Salem
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

West Virginia Water
Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25065

West Virginia Division of
Environmental Protection
617 Broad Street
Charleston, West Virginia 25301

Ladies and Gentlemen:

Based upon the rates and charges set forth in the sewer rate ordinance of the City of Salem (the "Issuer") finally enacted October 25, 1994, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Kanakanui Associates, Consulting Engineers, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system of the Issuer, will pay all repair, operation and maintenance expenses 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 1995 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1995 B and the Sewer Refunding Revenue Bonds, Series 1995 C.

Very truly yours,

Smith Cochran & Hicks
SMITH, COCHRAN & HICKS

OFFICIAL CHARTER
OF THE
CITY OF SALEM

SALEM, WEST VIRGINIA

EFFECTIVE DATE JULY 1, 1963

20

OFFICIAL CHARTER for the CITY OF SALEM

SECTION 1. CHARTER POWERS AND SOURCE OF AUTHORITY

The inhabitants of the present City of Salem, as incorporated by Chapter 14, Acts of the West Virginia Legislature, regular session, 1905, as amended by Chapter 142, Acts of the West Virginia Legislature, regular session, 1921, and acting pursuant to the "Municipal Home Rule Amendment" to the Constitution of the State of West Virginia, Article 6, Section 39 (a), together with the enabling act thereof known as the "Municipal Home Rule Law", being Chapter 56 of the Acts of the West Virginia Legislature, 1937, as amended, do hereby declare this instrument to be the charter of the said City of Salem, and do hereby annul and revoke all ordinances, resolutions and other acts of the Common Council of the City of Salem, in conflict herewith, subject to the provisions of Section 14, Article 2, Chapter 8-A of the Code of West Virginia, as amended. All ordinances not in conflict herewith shall remain in effect for a period of one year from the effective date of this charter, when they shall become inoperative unless on or before that date they shall have been either revoked or ratified by the new Council.

SECTION 2. MUNICIPAL POWERS

The City of Salem shall be vested with all powers inherent to cities adopting the Municipal Home Rule Law, as now enumerated in the Code of West Virginia, 1931, and the amendments thereto, as well as all powers which may hereafter be granted by the Legislature of West Virginia, together with all other powers herein set out.

SECTION 3. CORPORATE BOUNDARIES

The corporate boundaries of the City shall be as follows: Beginning at the center of the Baltimore and Ohio railroad right of way on the west end of bridge crossing the mouth of Dog

Run; thence north $69\frac{1}{2}$ degrees west 1000 feet to a white oak on point in I. N. Wilcox field; thence north $59\frac{1}{2}$ degrees west 2084 feet to a white oak near northwest corner of Independent Order of Odd Fellows cemetery; thence north $77\frac{1}{2}$ degrees west 1400 feet to hickory at northwest corner of R. Carpenter's lot; south 60 degrees west 1700 feet to white oak on ridge in G. C. Gabbart's field; north 81 degrees west 2445 feet to chestnut oak on point in F. J. Gabbert's field; south $27\frac{1}{2}$ degrees west 700 feet to willow tree at south 15 degrees 1950 feet to stone on north side of Pike Street and east side of Main Street Creek; south 81 degrees east 445 feet to stone on south side of Baltimore and Ohio Railroad; south 70 degrees west 1378 feet to a stone east of county line; south $15\frac{1}{2}$ degrees east 1000 feet to jack oak on point; north 82 degrees east 900 feet to a chestnut oak; north 74 degrees 1421 feet to a jack oak; north 82 degrees east 3730 feet to a hickory in S. Gain's field opposite depot; south $4\frac{1}{2}$ degrees east 1775 feet to a chestnut in line with S. Broadwater's land; north 42 degrees east 1200 feet to a large white oak in Randolph heirs' field; north $45\frac{1}{2}$ degrees east 1900 feet to stone above spring in Robinson's field; north 6 degrees east 950 feet to beginning, containing about 800 acres.

SECTION 4. FORM OF GOVERNMENT

The structure and organization of the City government shall be the Strong Mayor Plan.

SECTION 5. OFFICERS AND EMPLOYEES

The officers of the City shall be a Mayor, six (6) Councilmen, a Recorder, (who shall be ex-officio collector and treasurer), Police Judge, Chief of Police and Street and Water Commissioner.

The Mayor and members of the Council shall be elected by the qualified voters of the City as hereinafter provided, for a term of two years or until their successors are elected or appointed and qualify.

All other officers and employees shall be appointed by the Mayor or by his order, with the concurrence of the Council.

SECTION 6. COUNCIL AS GOVERNING BODY

The Council shall be the governing body of the City, and all of the corporate powers of the City shall be vested in, and ex-

exercised by the Council, unless herein otherwise stated, or delegated by ordinance. In the absence of the Mayor, the Council shall appoint one of its members as presiding officer.

SECTION 7. ELIGIBILITY TO OFFICE

No person shall be eligible to the office of Mayor or Councilman unless he has resided in the City and has been a registered voter therein for a period of one year prior to his election, and has been assessed with and paid taxes on One-hundred Dollars (\$100.00) of real or personal property located in the City of Salem, as set forth in West Virginia Code, Chapter 9, Article 3, Section 9.

A candidate for election to the office of Councilman must also be, at the time of his election, a resident of the ward from which he is elected.

SECTION 8. VACANCIES

In case of a vacancy occurring in the office of Mayor, or a vacancy or vacancies occurring in the Council, the Council, or remaining Councilmen, shall appoint an eligible person to serve in such office until a regular election is held.

SECTION 9. REMOVAL OF APPOINTIVE OFFICERS AND EMPLOYEES

Any appointive officer or employee of the City may be removed from office or employment by the Mayor for misconduct, drunkenness, neglect of duty, inefficiency, lack of cooperation or if the need for his services no longer exists. This action shall not be taken except by concurrence of the Council.

SECTION 10. SALARIES OF OFFICERS AND EMPLOYEES

Each Councilman shall be paid a salary of Five Dollars (\$5.00) for each regular or special meeting attended by him; such salary, however, shall not exceed the sum of One Hundred Dollars (\$100.00) in any one fiscal year.

The salary of the Mayor shall be, at the effective date of this charter, One-hundred Dollars (\$100.00) per month; however, said salary may be increased or decreased by action of the Council, effective at the expiration of incumbent's term of office.

The salaries of appointive officers and employees of the City shall be determined by the Council at the first meeting of the

Council in each fiscal year, and may not be increased or decreased during the current fiscal year.

SECTION 11. POWER AND DUTIES OF OFFICERS

The Council shall prescribe the powers and define the duties of all officers except so far as the same are by this charter defined; the Council shall fix their compensation and may require and take from them, respectively, bonds payable to the City in its corporate name, with such securities and in such penalties as may be deemed proper, conditioned for the faithful performance of their duties.

SECTION 12. COUNCIL MEETINGS: QUORUM

The Council shall fix the time and place for holding its regular meetings, one of which shall be held each month; may provide for special and adjourned meetings; shall have power to compel attendance of members, and may prescribe rules and regulations, not inconsistent with the provisions of this charter, for the transaction of its business and for its own guidance and government. A majority of the Council shall be necessary to constitute a quorum for the transaction of business. No member of the Council shall vote upon or take part in the consideration of any proposition in which he is or may be interested otherwise than a resident of the City. Every member present at any meeting shall vote on all questions unless the Council, for a special reason, excuses him, or he is ineligible to vote as herein provided; and if not so excused or ineligible, he shall be fined for each such failure to vote, the sum of Five Dollars (\$5.00).

At each meeting of the Council the minutes of the last meeting shall be read, and if erroneous, corrected, and then signed by the then presiding officer. Upon call of any member, the yeas and nays on any question shall be taken and recorded in the Council Record.

SECTION 13. OFFICIAL RECORDS

The Council shall cause to be kept by the Recorder, in a well bound book to be called the "Council Record", an accurate record of all its proceedings, ordinances, acts, orders and resolutions, and in another to be called the "Ordinance Book", accurate copies of all ordinances adopted by the Council, except

ordinances concerning public improvements. Both books shall be fully indexed and open to the inspection of anyone required to pay taxes to the City or who may otherwise be interested. All oaths and bonds of officers of the City and all papers of the Council shall be endorsed, filed and securely kept by the Recorder, except the bond of the Recorder, which shall be filed with the Mayor. All printed copies of such ordinances purporting to be published under the authority of the Council, and transcripts of such ordinances, acts, orders and resolutions, certified by the Recorder under seal of the City, shall be deemed prima facie correct, when sought to be used as evidence in any court or before any justice.

SECTION 14. ORDINANCES

In the following enumerated cases the action of the Council shall be by ordinances:

- (1) Levying of taxes or providing for the collection of fees of any kind;
- (2) Requiring a license to do business;
- (3) Relating to offenses and penalties;
- (4) Authorizing the issuances of bonds or other forms of indebtedness;
- (5) Providing for a public improvement;
- (6) Providing for the purchase of private property by the City or for sale of property belonging to the City;
- (7) Laying out or vacating a public street, alley or other way;
- (8) Relating to zoning;
- (9) Granting franchises to public utilities;
- (10) Providing for a contractual or other agreement with another jurisdiction;
- (11) Relating to such other matters as the charter may require;
- (12) Any other case in which an ordinance is required by the laws of the State of West Virginia.

SECTION 15. ORDINANCE PROCEDURE

The Council shall enact an ordinance in all cases specified by Section 14 of this charter in accordance with the following requirements:

(1) An ordinance shall be read at not less than two meetings with at least one week intervening between each meeting;

(2) Before final passage an ordinance shall be published in two newspapers of opposite politics published in the City, if such there be, and otherwise in one newspaper so published. If no newspaper is published in the City, publication shall be in a newspaper of general circulation in the City; provided, however, that in the event the Council shall propose to codify, re-enact or enact a comprehensive code of ordinances for the City, it shall not be necessary to publish such code of ordinances in a newspaper or newspapers prior to the adoption thereof. However, at least five days before the meeting at which said code of ordinances is finally adopted, the Council shall cause notice of the proposed adoption thereof to be published in a newspaper or newspapers as otherwise required by this section, stating therein the general titles of the code of ordinances, and the place where, within the City, the entire proposed code of ordinances is available for public inspection. A reasonable number of copies of the proposed code of ordinances shall be kept at such place and there so available for public inspection;

(3) An ordinance shall not be finally passed until after three days have elapsed after the date of publication and persons interested have been given an opportunity to attend a meeting of the Council and be heard with respect to the ordinance;

(4) The Council may adopt building codes, housing codes, plumbing codes, sanitary codes, electrical codes, fire prevention codes, or any other technical codes dealing with the general public health, safety or welfare, or a combination of the same, by ordinance, in the manner herein prescribed. Before any such code shall be adopted, it shall be either printed or typewritten and shall be presented in pamphlet form to the Council at a regular meeting. The ordinance adopting such code shall not set out such code in full, but shall merely identify the same. The vote on passage of said ordinance shall be the same as on any other ordinance. After its adoption, such code or codes shall be certified to by the Mayor and shall be filed as a permanent record in the office of the Recorder, who shall not be required to transcribe and record the same in the ordinance book as other ordinances. It shall not be necessary that such ordinance or the code itself be published in full, but before final passage of such

ordinance, notice of the proposed adoption of such code shall be given by publication as herein provided for other ordinances. Any of the comprehensive or technical codes heretofore adopted by the Council and published without setting out such code in full in the publication required, if any, or in the notice of public hearing, if any, is hereby validated and held sufficient without the necessity of further publication.

(5) An ordinance shall not be materially amended at the same meeting at which it is finally passed. If materially amended after publication, the ordinance shall be republished and considered as though publication had not taken place. The Council may enact an ordinance under suspension of the rules prescribed by this section only in case of a pressing emergency, making procedure in accordance with this section dangerous to public health, safety or morals, and by an affirmative vote of not less than two-thirds of all members of the Council. The nature of the emergency shall be set out in full in the ordinance.

SECTION 16. WARDS AND WARD LIMITS

The City of Salem shall be divided into three wards, and said wards shall be designated as the First Ward, the Second Ward, and the Third Ward, and said wards shall be limited as follows:

FIRST WARD: Beginning at the point of intersection of the boundary line of the City of Salem with the center of Water Street; thence with said center line of Water Street in a southerly direction to its intersection with Main Street; thence with the intersection of said center line of Water Street with said Main Street due south to the southern boundary line of said City of Salem; thence eastward with the southern limits of said City to its eastern boundary; thence with the eastern boundary line to the northern boundary line of the City; and thence westward with the northern boundary line to the place of beginning.

SECOND WARD: Beginning at the point of intersection of the center line of Water Street with the northern boundary line of the City of Salem; thence westward with the northern boundary line of said City to its intersection with the center line of West Virginia Avenue; thence southward with the center line of West Virginia Avenue to its intersection with Main Street; thence due south to the southern boundary line of the City of Salem; thence eastward with said southern boundary line to the

western boundary of the First Ward; thence north to the intersection of Main Street with the center line of Water Street; and thence northward with said center line of Water Street to the place of beginning.

THIRD WARD: Beginning at the intersection of the center line of West Virginia Avenue with the northern boundary line of the City of Salem; thence with the said northern boundary line westward to the western limits of the City of Salem; thence in a southerly direction with the western boundary line of the said City to its southern limits; thence with the southern boundary line of the said City eastward to its point of intersection with the western limits of the Second Ward; and thence northward with the western boundary line of the Second Ward to the place of beginning.

The future boundaries of the wards may be determined by the Council. The Council may establish new wards, and define and change the boundaries of all wards, provided, however, that each ward must be composed of contiguous territory.

SECTION 17. ELECTIONS

Elections for Mayor and Councilmen shall be conducted under the statutes of West Virginia. The Mayor shall be elected by the qualified voters of the City, and two Councilmen shall be elected by the qualified voters of each ward. The first election held under this charter shall be a regular election held on the first Tuesday in June, 1963, to elect a Mayor and six (6) Councilmen. The new officers shall take office on July 1, 1963, for terms of two years.

Regular elections shall be held on the first Tuesday in June of each two years thereafter.

The present Council shall be the judge of the first election to be held hereunder, and the Council thereafter shall be the judge of the election returns and qualifications of its own members, and of the successful candidate for the office of Mayor. The Council may determine the conduct of elections and results thereof, so long as such acts are consistent with the general laws of the State of West Virginia relating thereto. In the event of a tie vote, the Council shall choose, by a majority vote of all its members, from the candidates receiving the highest and equal

number of votes, the officer to be elected, and shall make return accordingly. Qualifications of voters shall be determined by the general laws of the State of West Virginia.

The Council shall be the municipal election authority, and may prescribe other rules for the conduct of elections, not inconsistent with general law and the provisions of this charter.

SECTION 18. NOMINATION OF CANDIDATES

Any qualified voter may be nominated or renominated for election to the office of Mayor or Councilman by petition. A petition for the purpose of nominating a candidate for Mayor shall be signed by not less than twenty-five (25), nor more than fifty (50) qualified voters of the City, and for Councilman by not less than ten (10), nor more than twenty (20) qualified voters of the ward from which he seeks election.

No voter shall sign more than one such petition for Mayor and two petitions for Councilman, and, should an elector do so, his signature shall be void except as to the petition or petitions first filed. The signatures on a nominating petition need not be subscribed on one paper, but to each separate paper shall be attached a signed statement of the circulator thereof, stating the number of signers of such a paper, and that each signature appended thereto was made in his presence and is the signature of the person whose name it purports to be. With each signature, including the signature of the circulator, shall be stated the place of residence of the signer, giving the street and number or other description sufficient to identify it. The form of the nominating petition shall be substantially as follows:

We, the undersigned voters of the City of Salem, hereby nominate _____ whose residence is _____ for the office of _____, to be voted for at the election to be held on the _____ day of _____, 19____, and we individually certify that our names have appeared on the rolls of the registered voters within the last year; that we are qualified to vote for a candidate or candidates for the office of _____ and we have not signed petitions in excess of the number permitted by the charter of the City of Salem.

Name _____ Street Number _____
Address from which registered, if different _____

CITY OF SALEM ORDINANCE
CHAPTER ##

An Ordinance to amend the City of Salem's Charter: Section 18: Paragraph 5 to comply with Chapter 3 of the WV Code. Paragraph 5 will read as follows:

Any signature made earlier than February 15 next preceeding; the election shall be void. All nominating papers comprising a petition shall be filed as one instrument with the election authorities no later than March 31 before the election.

Passed on the first reading on February 2, 1987. Passed and adopted on the second and final reading on February 10, 1987.

STATEMENT OF CIRCULATOR

The undersigned is the circulator of the foregoing paper, containing _____ signatures. Each signature appended thereto was made in my presence and is the genuine signature of the person whose name it purports to be.

Signature of Circulator _____

Address _____

Any signature made earlier than the first of March next preceding the election shall be void. All nominating papers comprising a petition shall be filed as one instrument with the election authorities, not earlier than the first day of April nor later than the first day of May before the election. The election authorities shall make a record of the exact time each petition is filed and shall take and preserve the name and address of the person by whom it is filed. No nominating petition shall be accepted unless accompanied by a signed acceptance in substantially the following form:

I hereby accept the nomination for _____ and agree to serve if elected.

Signature of Candidate _____

If a petition is found to be signed by more persons than the number legally permitted, the last signatures in excess of that number shall be disregarded even if some of the earlier signatures are void. If a petition paper is found to be signed by more than the number certified by the circulator, the last signatures in excess of the number certified shall be disregarded. If a petition paper is found to be signed by fewer persons than the number certified, the signatures shall be accepted unless void on other grounds. Within five days after filing a nominating petition, the Recorder shall notify the candidate and the person filing the petition whether or not it is found to be signed by the required number of qualified voters. If a petition is found insufficient, the Recorder shall return it immediately to the person who filed it with a statement certifying wherein the petition is found insufficient. Within the regular time for filing petitions, such a petition may be amended and filed again as a new petition (in which case the time of the first filing shall be disregarded in determining the validity of the signatures thereon), or a different petition may be filed for the same candidate.

The full names of all the candidates nominated as hereinbe-

fore provided, except such as have withdrawn, died or become ineligible, shall be printed on the official ballots without party designations. If two candidates with the same surname, or with names so similar as to be likely to cause confusion, are nominated, the addresses of their place of residence shall be placed with their names on the ballot.

The ballot to be used in the regular City election shall have set forth thereon the names of all candidates for election. In the printing of the ballots, the positions of the names of the candidates shall be changed in like manner as is provided by general law for the printing of primary ballots.

The ballot shall state that the election is non-partisan and shall bear instructions as to the number of candidates in each office for whom the voter is entitled to vote.

SECTION 19. INITIATIVE AND REFERENDUM

(1) Upon petition, signed and dated in their own handwriting by not less than ten percent of the registered voters of the City, any matter which is the proper subject of one ordinance, as set out in this charter, shall be submitted to the Council in the manner hereinafter provided, which the Council shall either adopt without alteration, or refer to the vote of the people, without alteration.

(2) Such petition shall not be circulated by any officer of the City; such action by any officer shall be grounds for dismissal from office.

(3) Such petition shall contain the residence address of each signer, and shall be filed with the Recorder within sixty days from the date the first signature was affixed thereto.

(4) Within fifteen days next following such filing, a committee, composed of the Recorder and two members of the Council, shall determine by careful examination, the sufficiency or insufficiency of such petition, and shall report its findings to the Council in a certificate signed by a majority of the members thereof, dated and attached thereto. If such petition be found insufficient, the particulars of such insufficiency shall be stated in such certificate. The petition may be amended within ten days from the date of such certificate, and refiled with the Recorder; provided, however, that any petition may be refiled only once. Upon finding such petition sufficient, the committee shall

so state in its certificate, signed by a majority of the members thereof, and shall submit the petition with the attached certificate to the Council at its next regular meeting. The findings of the committee shall not be final until approved by the Council.

(5) The proposed ordinance contained in such petition shall be passed without alteration by the Council, or shall be submitted, without alteration by the Council, to the voters in the City within sixty days from the date of its filing with the Recorder. If, however, a regular election is to be held within ninety days from the date of the action by the Council, such ordinance shall be voted upon at such election; if such regular election is not to be held within ninety days from the date of the action by the Council, then the Council shall forthwith call a special election to be held within sixty days thereafter.

(6) Notice of the vote on such ordinance, at either a regular or special election, shall be given for at least thirty days prior to such election. Such notice shall set out the ordinance verbatim, and shall state the date and time of the election, the form of the ballot to be used and such other pertinent matter as the Council may determine or as may be required in the petition. Such notice shall be published in a newspaper or newspapers as provided for ordinances in Section 14 of this charter, and shall be posted at some public and prominent place in each voting precinct of the City at least thirty days prior to the election.

(7) Not more than one special election shall be called in any period of six months.

(8) Such ordinance, if adopted by a majority of the persons voting at the election therefore, shall go into effect on the tenth day following its adoption, unless otherwise therein provided. Such ordinance shall not be altered or repealed within six months from the effective date, nor thereafter except by the affirmative vote of all the members of the Council. The Council may submit the question of amendment or repeal of such ordinance to the voters at any regular election, or at a special election called for that purpose, after notice thereof has been given as hereinbefore provided.

SECTION 20. DUTIES OF THE MAYOR

The Mayor shall be the administrative authority of the City. He shall, except as herein provided, with the concurrence of the

Council, appoint, or cause to be appointed upon his order, all other officers and employees of the City, and, when necessary for the good of the service, with the concurrence of the Council, remove, or cause to be removed, any such officers and employees, except as otherwise provided in this charter; he shall prepare, or cause to be prepared, the annual budget, submit it to the Council for approval, and be responsible for its administration after adoption; he shall prepare, or cause to be prepared, and submit to the Council a complete report on the finances and administrative activities of the City for the preceding year; he shall be responsible for the enforcement of all ordinances and the execution of all directives from the Council, and, in case of a tie, have the right to vote on any question before the Council.

During the temporary absence of the Mayor, the Council shall designate one of its members to assume his powers and duties during such absence.

SECTION 21. DUTIES OF THE RECORDER

The Recorder shall keep a journal of the proceedings of the Council, and have charge of and preserve the records, papers, contracts and other documents belonging to the City; he shall perform such other duties pertaining to the fiscal and administrative affairs of the City as may be required of him by this charter, or by the Mayor or Council.

The Recorder shall collect and receive all taxes, assessments, fines and costs, and other money due the City from any source, and shall receipt for same. He shall keep an accurate record of all moneys paid to him for the use of the City, showing under separate accounts the amounts received for the account of taxes, street improvements, water sales, sewage fees, meter deposits, licenses and other bills due the City, fines and costs and of other matters pertaining to his office, which books shall at all times be open to the inspection of the Council, or to any committee appointed by it for such purposes; he shall deposit all funds in a banking institution designated by the Council; he shall, on the first day of January and July of each year, and oftener if directed by the Council, present to the Council a full, complete and detailed statement of all money received from all sources, and disbursed by him, and, at such times return a list of all taxes, levies, assessments and other claims in his hands for collection

by reason of insolvency, removal or other cause, to which list he shall append an affidavit that he has used due diligence to collect the several items therein mentioned, but has been unable to do so. He shall, upon relinquishing his office, or upon order of the Mayor, turn over to his successor all money, books of account and other property of the City in his possession.

The Recorder of the City, before entering upon the discharge of his duties, shall execute a bond, conditioned for the faithful performance of the duties of his office, and for the accounting and paying over, as required by law, all money which may come into his hands by virtue of his office, with sureties, satisfactory to the Council, payable to the "City of Salem" in a penalty to be fixed by the Council sufficient to indemnify the City against any loss, as the Council may prescribe. He shall be custodian of bonds, notes, certificates and other evidences of indebtedness to the City, together with all valuable papers which may be placed in his possession by the Council, except the bond of the Recorder, which shall be deposited with the Mayor.

If the Recorder shall fail to account for any or all of the money with which he is chargeable, belonging to the City, according to the condition of his bond and orders of the Council, it shall be lawful for the Council to recover the same by action or motion, upon ten days notice, in the corporate name of the City, in the Circuit Court of Harrison County, against him and his sureties, or any or either of them, or his or their executors or administrators.

SECTION 22. DUTIES OF POLICE OFFICERS

It shall be the duty of the Chief of Police to preserve order and quiet in the City; to see that subordinate officers faithfully perform their official duties, and to perform such other duties as the Council may direct. He shall be present in the Police Court whenever the same shall be in session, and see that its orders and requirements are properly executed; he shall, before entering upon the discharge of his duties, execute a bond conditioned for the faithful performance by him of the duties of his office, and for the accounting for, and paying over, as required by law, all money which may come into his hands by virtue of his office, with sureties satisfactory to the Council, in a penalty as the Council may prescribe.

In case a violation of any ordinance of the City is committed in his presence or within view of the Chief of Police or other Police officer, the offender may be forthwith apprehended and thereafter taken before the Police Judge, and written complaint under oath, stating such violation, there charged and filed; thereupon such offender may be tried upon warrant issued on such complaint, and dealt with according to law.

The Chief of Police and other Police officers shall execute, within the County of Harrison, when directed, any proper process issued by the Police Judge in proceedings for the enforcement of ordinances, and shall collect, by levy or otherwise, and duly account for, all fines assessed and costs imposed in such proceedings. They shall also have all the rights and powers, within the City, in regard to the arrest of persons, the collection of claims and execution and return of process that are or may be lawfully executed by a constable. All fees shall accrue to the benefit of the City. They and their sureties shall be liable to all fines, penalties and forfeitures for which a constable is liable, for any dereliction of duty in office, to be recovered in the same manner and in the same courts that such fines, penalties and forfeitures are recovered against constables. They shall forthwith pay over to the Recorder all fines, costs and sums collected.

SECTION 23. POLICE JUDGE

The Police Judge shall have criminal jurisdiction over the violation of all ordinances of the City, and likewise shall have the jurisdiction therein of a justice of the peace. He shall hold Police Court at such times and places as may be determined by him and the Council. He shall give bond with security to be approved by the Council, as required of a justice of the peace, for the holding and proper disbursement of all sums which may come to him in his official capacity. He shall be paid an amount to be fixed by the Council for each and every case tried.

The Mayor may perform the duties of Police Judge if mutually agreed upon between him and the Council.

SECTION 24. HEALTH OFFICER AND BOARD OF HEALTH

The Council may, if it deems it necessary, appoint a Health Officer, who shall be a licensed physician. In case of such appointment, the Mayor, Chief of Police and Health Officer shall

comprise the Board of Health. The said Board shall have the power to eliminate hazards to the public health, abate all nuisances within the City, and it shall do and perform all such other duties and exercise such other powers as may be required of or conferred upon it by ordinances and resolutions of the Council.

SECTION 25. SEPARATE BOARDS

Whenever it is deemed advisable, the Council shall have authority to create and to provide for the financial support of any of the separate boards provided for in Section 5-a, Article 3, Chapter 8-A, of the official code of West Virginia, as amended, and shall appoint members of any board so established. The advisability of the establishment of such boards shall be determined by a vote of the people at a special election.

SECTION 26. NEW ADDITIONS AND SUB-DIVISIONS

No map or plat of any addition, sub-division, re-sub-division or other lands within the City limits or within one mile thereof shall be recorded in the office of the Clerk of Harrison County until such map or plat has been approved by the Council, and such approval attested on the face thereof by the Mayor and Recorder.

SECTION 27. PUBLIC WAYS, OPENING AND CLOSING

The Council shall have the power to open for the public use, and to close or abandon any street, alley or other way. No street alley or way shall be considered a public street, alley or way until accepted as such by ordinance adopted by the Council. No street, alley or way which has been accepted by the Council as a public way shall be closed, vacated or abandoned except by ordinance adopted by the Council. The approval of the Council of any map or plat of lands constituting or delineating a sub-division or addition to the City shall not be deemed an acceptance, as public, of the streets, alleys or other ways shown thereon.

SECTION 28. TAXATION

The Council shall have the power to levy and collect all taxes now or hereafter authorized by the statutes of the State of West Virginia.

SECTION 29. CLAIM AGAINST THE CITY

No action shall be maintained against the City of Salem for damages for a personal injury, death or injury to property alleged to have been sustained by reason of the negligence of the City or of any officer, agent or employee thereof, unless such action shall have been initiated within the time limit prescribed by the Code of the State of West Virginia. The cause of the action shall be deemed to have accrued at the date of the damage to property or the sustaining of the injury, except that where death results therefrom, the time for the initiation of such action shall run from the date of death.

SECTION 30. IMMUNITY OF ELECTIVE OFFICERS

Officers of the City shall be immune from suit for any acts done in their official capacity to the extent provided for in the statutes and laws of the State of West Virginia, as interpreted by the decisions of the Supreme Court of Appeals of the State of West Virginia.

SECTION 31. PUBLIC IMPROVEMENTS

All public improvements shall be initiated and financed in accordance with the method prescribed in the statutes of the State of West Virginia.

SECTION 32. AMENDMENTS

Amendments to this charter shall be made in accordance with the general laws of the State of West Virginia.

SECTION 33. SEPARABILITY

If any section or part of section of this charter shall be held invalid by a court of competent jurisdiction, such holding shall not affect the remainder of this charter nor the context in which such section or part of section so held invalid may appear, except to the extent that the entire section or part of section may be inseparably connected in meaning and effect with the section or part of section to which such holding shall directly apply.

SECTION 34. WHEN CHARTER BECOMES EFFECTIVE

Upon the adoption of this charter, its provisions shall immediately be in force for the purpose of doing all things required

for the nominating and electing of the elective officials provided for in this charter, at a regular election herein provided to be held on the first Tuesday in June, 1963. The officials elected under the provisions of this charter shall take office July 1, 1963. Officers and employees appointed under the provisions of the previous charter shall continue in office and the performance of their duties until successors are appointed or their duties delegated to other officers or employees.

CHARTER BOARD

Linn B. Ferrell, Chairman
Mrs. Avery E. Gaskins, Sec'y.
Edwin J. Bond
O. Guy Layman
Aubrey L. Stone
H. D. Wade
Sanford F. Wiseman

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, Thomas H. Mason, do solemnly swear that
I will support the Constitution of the United States and the
Constitution of the State of West Virginia, and that I will truly
and faithfully and impartially discharge the duties of:

Mayer

of the City of Salem, West Virginia, to the best of my ability, so
long as I remain in office.

Thomas H. Mason
SIGNATURE

Subscribed and sworn to before me this the 29th day of
June 1987.

M. Jane Young
CITY RECORDER

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, M. Jane Young, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will truly and faithfully and impartially discharge the duties of:

City Recorder

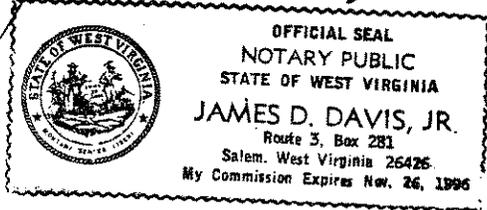
of the City of Salem, West Virginia, to the best of my ability, so long as I remain in office.

M. Jane Young
SIGNATURE

Subscribed and sworn to before me this the 7 day of June 1995.

James D Davis Jr

CITY RECORDER



CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, Ronald W. Carder, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will truly and faithfully and impartially discharge the duties of:

Councilman

of the City of Salem, West Virginia, to the best of my ability, so long as I remain in office.

Ronald W. Carder
SIGNATURE

Subscribed and sworn to before me this the 29th day of June 1993.

M. Jane Young
CITY RECORDER

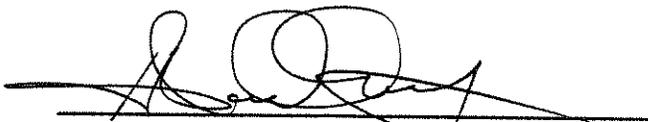
CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, H. David Outlip, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will truly and faithfully and impartially discharge the duties of:

Councilman

of the City of Salem, West Virginia, to the best of my ability, so long as I remain in office.


SIGNATURE

Subscribed and sworn to before me this the 29th day of June 1923.

M. Jasit King
CITY RECORDER

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, David W. Fisher, do solemnly swear that
I will support the Constitution of the United States and the
Constitution of the State of West Virginia, and that I will truly
and faithfully and impartially discharge the duties of:

Councilman

of the City of Salem, West Virginia, to the best of my ability, so
long as I remain in office.

David W. Fisher
SIGNATURE

Subscribed and sworn to before me this the 20th day of
June 1993.

M. Jane Young
CITY RECORDER

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, Florence J. Hunt, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will truly and faithfully and impartially discharge the duties of:

Councilwoman

of the City of Salem, West Virginia, to the best of my ability, so long as I remain in office.

Florence J. Hunt
SIGNATURE

Subscribed and sworn to before me this the 29th day of June 1993.

M. Jane Luning
CITY RECORDER

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, Kenneth J. Pithel, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will truly and faithfully and impartially discharge the duties of:

Councilman

of the City of Salem, West Virginia, to the best of my ability, so long as I remain in office.

Kenneth J. Pithel
SIGNATURE

Subscribed and sworn to before me this the 5th day of July 1992.

M. Jane Young
CITY RECORDER

CITY OF SALEM
WEST VIRGINIA

OATH OF OFFICE:

I, William D. Price, do solemnly swear that
I will support the Constitution of the United States and the
Constitution of the State of West Virginia, and that I will truly
and faithfully and impartially discharge the duties of:

Councilman

of the City of Salem, West Virginia, to the best of my ability, so
long as I remain in office.

W. D. Price
SIGNATURE

Subscribed and sworn to before me this the 29th day of
June, 1923.

M. J. Young
CITY RECORDER



CITY OF SALEM

ORDINANCE CREATING A SANITARY BOARD
OF THE CITY OF SALEM

WHEREAS, the City of Salem contemplates the issuance of 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 Code of West Virginia, 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 sewerage system by a municipal corporation;

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE CITY COUNCIL OF THE CITY OF SALEM AS FOLLOWS:

Section 1. That the Council of the City of Salem does hereby create and establish a Sanitary 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 City of Salem, 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. Said 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 City of Salem whether holding a paid or unpaid office, shall be eligible to appointment on said 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 in the penalty of \$2,000 for the proper

application of all money received by him as treasurer of the Board, and otherwise conditioned according to law.

Section 4. Compensation and Expenses of Board Members. The members of the Sanitary Board as such shall be paid no compensation. All members of the Board shall be reimbursed from sewage works funds for all necessary expenses incurred in the discharge of their duties, but there shall be no liability upon the town for any salary 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 City of Salem.

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 this ordinance and under and by virtue of 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, a manager, 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 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 or material exceeding in amount the sum of \$1,000 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, 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 law, 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 chapter 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 pursuant to the provisions of the Act.

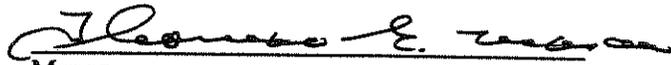
Section 7. Publication of Financial Statement. The Sanitary Board shall prepare a financial statement and cause it to be published as a Class I legal advertisement in compliance with the provisions of Article 3, Chapter 59 of the Code of West Virginia, and the publication area for such publication shall 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.

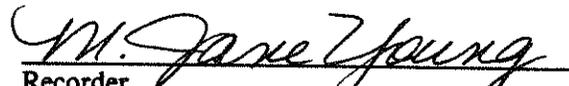
Section 9. Bonding of Employees Who Handle Money. The Sanitary Board may from time to time, in its discretion, require any of its employees to furnish a good and suitable indemnity bond, with a recognized and reputable surety, conditioned upon the faithful discharge of their duties as such, and to deliver up and pay over all money as provided by law. The Board shall require all persons who collect or otherwise handle funds of the Board to furnish a good and proper bond, with a recognized and reputable corporate 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, as may be determined by the Board.

First Reading: December 8, 1992.

Enacted on Second Reading: January 12, 1993.



Mayor



Recorder

06/19/95
SALEMC.D2
78817/91001

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the City of Salem on January 12, 1993.

Dated: June 27, 1995

[SEAL]

M. Jane Young
Recorder



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PETITION OF SANITARY BOARD

The Sanitary Board of the City of Salem (the "City") hereby petitions the Council of the City to enact an ordinance directing that sewer revenue bonds of the City be issued pursuant to the provisions of Chapter 16, Article 13 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended, such bonds to be in an amount not to exceed \$5,250,000 for the purposes of permanently financing the cost of acquisition and construction of additions, betterments and improvements to the existing public sewerage system of the City, together with all necessary appurtenances (the "Project") and refunding the outstanding Sewer Revenue Bonds, dated August 1, 1962, of the City, and that interim construction financing in an amount not to exceed \$1,000,000 be authorized for the purpose of temporarily financing the cost of acquisition and construction of the Project, if necessary.

Directed this 5th day of May, 1995.

SANITARY BOARD OF THE CITY OF SALEM

By 
Chairman - Sanitary Board

06/27/95
SALEMJ.Z3
788170/91001

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2

3

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Ordinance No: _____

Introduced in Council:

Passed by Council:

October 11, 1994

October 25, 1994

AN ORDINANCE OF THE CITY OF SALEM AMENDING AND REENACTING THE ESTABLISHMENT AND FIXING OF RATES, CHARGES AND DELAYED PENALTY CHARGES FOR SANITARY SEWER SERVICES FOR CUSTOMERS OF THE SANITARY SEWER SYSTEMS OF THE CITY OF SALEM, HARRISON COUNTY, WEST VIRGINIA

WHEREAS, The Council of the City of Salem, Harrison County, West Virginia, deems the present rates and charges for the furnishing of sanitary sewer service throughout the entire territory served by the City of Salem to be inadequate and fails to provide sufficient revenue for the operation and maintenance of the City of Salem's proposed upgrade of its sanitary sewer collection and wastewater treatment system, and for the payment of the sums required to pay the principal of, and interest on, all sewer revenue bonds as the same become due, together with all amounts required for reserves and for payment of financing costs for the proposed project; and,

WHEREAS, it would be in the best interest of the City of Salem, its residents and users of its sanitary sewer system to increase the sanitary sewer rates in order to adequately fund the maintenance and improvements which are proposed for the system, and the construction of a new wastewater treatment plant and facility; and,

WHEREAS, there is hereby established a schedule of just and equitable rates, charges, and delayed payment penalties for the use of any service rendered by the City of Salem's sanitary sewer collection and wastewater treatment system, which schedule of rates, charges, and delayed payment penalties is based upon the metered amount of water supplied to the premises.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Council of the City of Salem, Harrison County, West Virginia:

ARTICLE I

Statutory Authority, Findings and Determinations

Section 1. This Ordinance is enacted pursuant to the provisions and requirements of Chapter Eight and Chapter Twenty-Four, of the Code of West Virginia, one thousand nine hundred thirty-one, as amended, and other applicable provisions of the laws of the State of West Virginia.

Section 2. It is hereby found, determined and declared as follows:

That rates and charges now in effect for the furnishing of sanitary sewer service to the customers of the City of Salem who are residents of the City of Salem, located in Harrison County, West Virginia, and its other customers, are not adequate to provide sufficient revenue to repair, maintain and operate the sanitary sewer system of said city and meet the debt service requirements contemplated for the proposed improvements and the construction of a new wastewater treatment plant and facility by the City of Salem payable from revenues of its sanitary sewer system.

ARTICLE II

Establishing and Fixing Rates, Charges and Delayed Penalty Charges

The following schedules of rates, charges and delayed payment penalty charges shall be and they are hereby fixed and determined as the rates, charges and delayed penalty charges to be charged to and paid by customers of the sanitary sewer system of the City of Salem throughout the entire territory served for the time periods specified herein.

SECTION 1. SCHEDULE:

SEWER SCHEDULE NO. 1

APPLICABILITY

Applicable to the entire territory served, based on water meter readings.

AVAILABILITY

Available for sanitary sewerage service in the entire territory served.

RATES:

(A) RATE SCHEDULE EFFECTIVE JANUARY 1, 1995:

To be effective January 1, 1995:

First	5,000 gallons used per month	\$4.80 per 1,000 gallons.
Next	45,000 gallons used per month	\$4.10 per 1,000 gallons.
All Over	50,000 gallons used per month	\$3.50 per 1,000 gallons.

MINIMUM CHARGE

No bill will be rendered for less than \$9.60 (2,000 gallons).

(B) RATE SCHEDULE EFFECTIVE UPON FIFTY PERCENT
(50%) COMPLETION OF THE PROPOSED SEWER PROJECT:

To be effective upon completion of Fifty percent (50%) of the City of Salem's proposed sanitary sewer collection and wastewater treatment system project as certified by the project engineer:

First 5,000 gallons used per month \$5.95 per 1,000 gallons.
Next 45,000 gallons used per month \$5.60 per 1,000 gallons.
All Over 50,000 gallons used per month \$5.30 per 1,000 gallons.

MINIMUM CHARGE

No bill will be rendered for less than \$11.90 (2,000 gallons).

(C) RATE SCHEDULE EFFECTIVE UPON SUBSTANTIAL
COMPLETION OF THE PROPOSED SEWER PROJECT:

The following rates shall become effective upon substantial completion of the City of Salem's proposed sanitary sewer collection and wastewater treatment system project as certified by the project engineer:

The rate shall be based upon metered water usage and said rate shall be Seven Dollars and Ten Cents (\$7.10), per thousand gallons of water used.

MINIMUM CHARGE

The above schedule is subject to a minimum monthly charge of Fourteen Dollars and Twenty Cents (\$14.20) per connection to the sewerage facilities.

NON-METERED

Where the customer has no water meter or where a substantial portion of the water consumed is not metered, the minimum monthly charge shall be Twenty Four Dollars and Eighty-Five Cents (\$24.85) per connection to the sewerage facilities.

PROVISIONS OF GENERAL APPLICABILITY
TO EACH RATE SCHEDULE:

The following shall be applicable to each of the above listed rate schedules:

DELAYED PAYMENT PENALTY

The above rate schedule is net. On all accounts 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.

SERVICE CONNECTION FEE

For any new customers who connect into the City of Salem's sanitary sewer collection system during the construction phase of the proposed project, the connecting fee shall be Fifty Dollars (\$50.00).

All future customers connecting to the sanitary sewer system after construction of the proposed project shall be charged a Two Hundred Fifty Dollar (\$250.00) connection fee.

SERVICE RECONNECTION FEE

If service is discontinued for failure to pay a bill when due, a disconnection charge of Twenty Dollars (\$20.00) will be assessed and if service is reinstated, a reconnection charge of Twenty Dollars (\$20.00) will be made.

CUSTOMER CHECK RETURN CHARGE

When any check is received for payment of a customer's account, which check is later returned unpaid due to there being insufficient funds in the account of the payer to satisfy said amount, the customer will have imposed a Ten Dollar (\$10.00) charge.

METER DEPOSIT

The City of Salem shall charge any party or parties a flat rate of Fifty Dollars (\$50.00) as a deposit on any new account.

Section 2. A bill for service to a customer served hereunder, whenever delinquent, shall be a lien for the amount thereof upon the real property of the customer served, as provided by Chapter Sixteen, Article Thirteen, Section Sixteen of West Virginia Code of 1931, as amended.

Section 3. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this ordinance are, to the extent of such conflict, hereby repealed.

Section 4. The Mayor of the City of Salem and the Sanitary Board of said City are hereby authorized and directed to have prepared and filed with the Public Service Commission of West Virginia, new tariffs or tariff sheets reflecting the sanitary sewer service rates and charges as herein ordained and to perform all other acts required by the statutes and laws of this State and valid applicable rules and regulations promulgated by the Public Service Commission of West Virginia, to fully effectuate the provisions of this ordinance.

Section 5. The City Recorder is hereby authorized and directed to publish, and post as required by law, a notice of the proposed adoption of this ordinance as a Class II-0 legal advertisement in compliance with the applicable legal requirements in both the Clarksburg Telegram and the Clarksburg Exponent, newspapers of general circulation in the city, with such notice stating the subject matter and title of the ordinance, the date, time and place of the council meeting which will consider the adoption of the ordinance, and such other information as may be required by law, and that any person interested may appear before the council on such date, the date being not less than five (5) days after the publication of said notice, at which time and place all parties and interests may be heard with respect to the adoption of this ordinance, and said notice shall be on file in the Office of the City Recorder, and shall be posted at the Harrison County Courthouse, and at the Sanitary Board office building for review by interested persons during the regular office hours of such offices, and with such other information as the City Recorder may determine to be necessary.

This Ordinance will be effective upon second reading and adoption, and the rates, charges, and delayed penalty charges herein shall become effective as specified in this Ordinance.

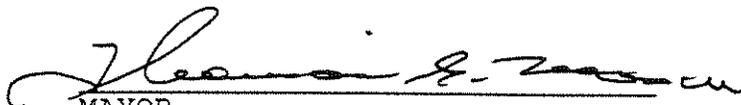
A public hearing regarding the rate increase provided by this Ordinance will be held on the 25th day of October, 1994, beginning at 6:00 o'clock p.m., in the City Council Chambers located at Valley and Mill Streets, in the City of Salem, Harrison County, West Virginia.

This Ordinance was introduced and read for the first time at a regular meeting of City Council held on October 11, 1994, and was read a second time and adopted at a regular meeting of the City Council held on 25th day of October, 1994.

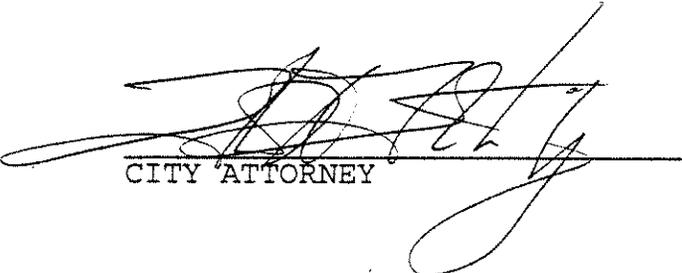
Passed on first reading October 11, 1994.

Public hearing held on October 25, 1994, at 6:00 p.m.

Second and final reading October 25, 1994.

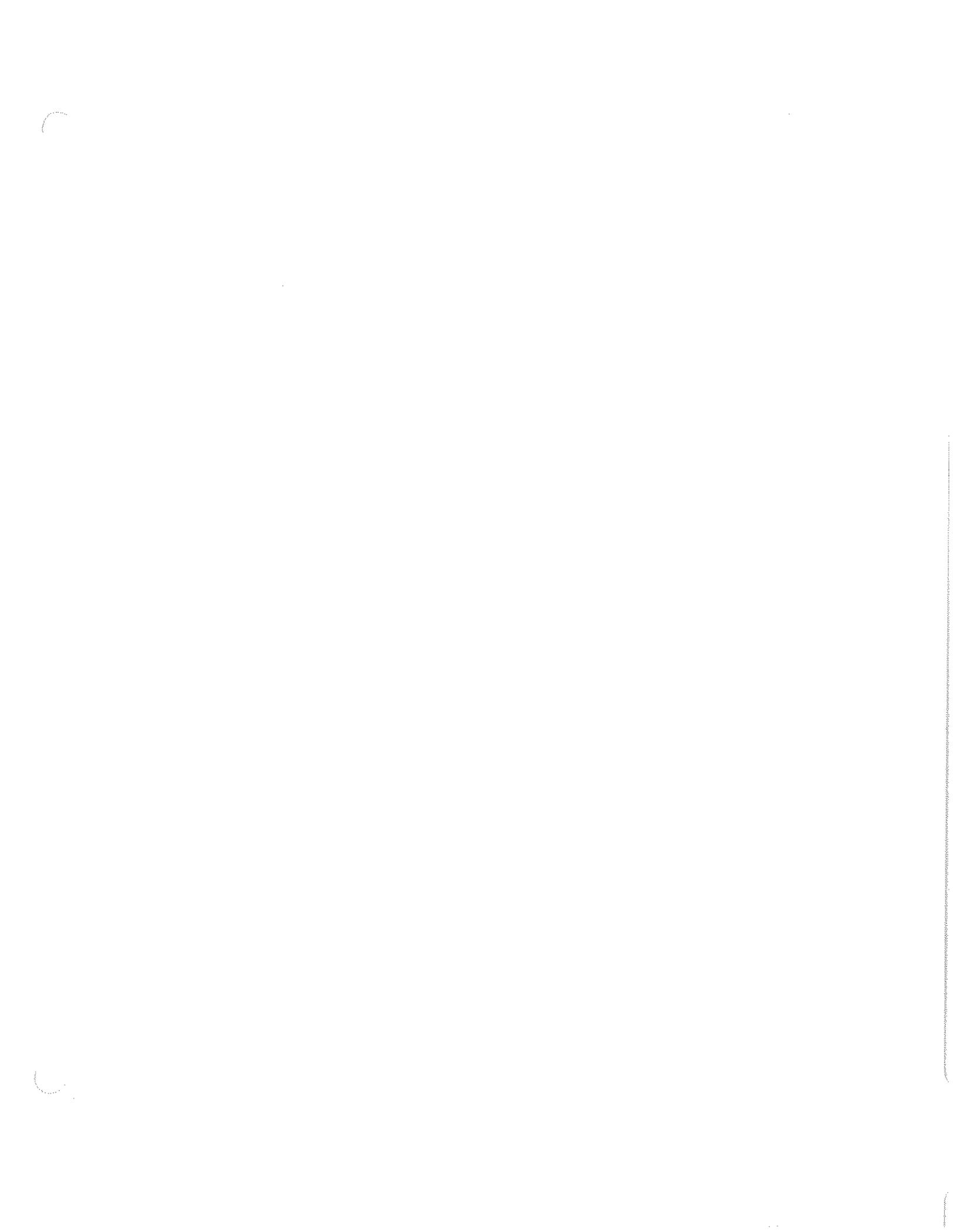

MAYOR


RECORDER


CITY ATTORNEY

This Ordinance Prepared By:

H. Wyatt Hanna, III
HANNA & HANNA
P.O. Box 2311
Charleston, WV 25328



AN ORDINANCE OF THE CITY OF SALEM AMENDING AND REENACTING THE ESTABLISHMENT AND FIXING OF RATES, CHARGES AND DELAYED PENALTY CHARGES FOR SANITARY SEWER SERVICES FOR CUSTOMERS OF THE SANITARY SEWER SYSTEMS OF THE CITY OF SALEM, HARRISON COUNTY, WEST VIRGINIA

WHEREAS, The Council of the City of Salem, Harrison County, West Virginia, deem present rates and charges for the furnishing of sanitary sewer service throughout the entire territory served by the City of Salem to be inadequate and fails to provide sufficient revenue for the operation and maintenance of the City of Salem's proposed upgrade of its sanitary sewer collection and wastewater treatment system, and for the payment of the sums required to pay the principal of, and interest on, all sewer revenue bonds as the same become due, together with all amounts required for reserves and for payment of financing costs for the proposed project; and WHEREAS, it would be in the best interest of the City of Salem, its residents and users of its sanitary sewer system to increase the sanitary sewer rates in order to adequately fund the maintenance and improvements which are proposed for the system, and the construction of a new wastewater treatment plant and facility; and WHEREAS, there is hereby established a schedule of just and equitable rates, charges, and delayed payment penalties for the use of any service rendered by the City of Salem's sanitary sewer collection and wastewater treatment system, which schedule of rates, charges and delayed payment penalties is based upon the metered amount of water supplied to the premises. NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Council of the City of Salem, Harrison County, West Virginia:

ARTICLE I
Statutory Authority, Findings and Determinations
 Section 1. This Ordinance is enacted pursuant to the provisions and requirements of Chapter Eight and Chapter Twenty-Four, of the Code of West Virginia, one thousand nine hundred thirty-one, as amended, and other applicable provisions of the laws of the State of West Virginia.
 Section 2. It is there found, determined and declared as follows: That rates and charges now in effect for the furnishing of sanitary sewer service to the customers of the City of Salem who are residents of the City of Salem, located in Harrison County, West Virginia, and its other customers, are not adequate to provide sufficient revenue to repair, maintain and operate the sanitary sewer system of said city and meet the debt service requirements contemplated for the proposed improvements and the construction of a new wastewater treatment plant and facility by the City of Salem payable from revenues of its sanitary sewer system.

ARTICLE II
Establishing and Fixing Rates, Charges and Delayed Penalty Charges.
 The following schedules of rates, charges and delayed payment penalty charges shall be and they are hereby fixed and determined as the rates, charges and delayed penalty charges to be charged to and paid by customers of the sanitary sewer system of the City of Salem throughout the entire territory served for the time periods specified herein.

SECTION 1, SCHEDULED:
SEWER SCHEDULE NO. 1
APPLICABILITY
 Applicable to the entire territory served, based on water meter readings.
AVAILABILITY
 Available for sanitary sewerage service in the entire territory served.
RATES:

(A) RATE SCHEDULE EFFECTIVE JANUARY 1, 1995:
 To be effective January 1, 1995:
 First 5,000 gallons used per month \$4.80 per 1,000 gallons.
 Next 45,000 gallons used per month \$4.10 per 1,000 gallons.
 All Over 50,000 gallons used per month \$3.50 per 1,000 gallons.

MINIMUM CHARGE
 No bill will be rendered for less than \$9.60 (2,000 gallons).
(B) RATE SCHEDULE EFFECTIVE UPON FIFTY PERCENT (50%) COMPLETION OF THE PROPOSED SEWER PROJECT:
 To be effective upon completion of Fifty percent (50%) of the City of Salem's proposed sanitary sewer collection and wastewater treatment system project as certified by the project engineer:

First 5,000 gallons used per month \$5.95 per 1,000 gallons.
 Next 45,000 gallons used per month \$5.80 per 1,000 gallons.
 All Over 50,000 gallons used per month \$5.30 per 1,000 gallons.
MINIMUM CHARGE
 No bill will be rendered for less than \$11.90 (2,000 gallons).

(C) RATE SCHEDULE EFFECTIVE UPON SUBSTANTIAL COMPLETION OF THE PROPOSED SEWER PROJECT:
 The following rates shall become effective upon substantial completion of the City of Salem's proposed sanitary sewer collection and wastewater treatment system project as certified by the project engineer:
 The rate shall be based upon metered water usage and said rate shall be Seven Dollars and Ten Cents (\$7.10), per thousand gallons of water used.

MINIMUM CHARGE
 The above scheduled is subject to a minimum monthly charge of Fourteen Dollars and Twenty Cents (\$14.20) per connection to the sewerage facilities.
NON-METERED
 Where the customer has no water meter or where a substantial portion of the water consumed is not metered, the minimum monthly charge shall be Twenty Four Dollars and Eight-Five Cents (\$24.85) per connection to the sewerage facilities.

PUBLISHER'S CERTIFICATE

VS.

STATE OF WEST VIRGINIA,
 COUNTY OF HARRISON

I, Deborah S. Veltri

Classified Office Manager of CLARKSBURG TELEGRAM, a newspaper of general circulation published in the City of Clarksburg, County and State aforesaid, do hereby certify that the annexed

An Ordinance

was published in said CLARKSBURG TELEGRAM once a week for 2 successive weeks,

commencing on the 14 day of October 1994 and ending on the 21 day of October 1994

The publisher's fee for said publication is \$ 206.83

Given under my hand this 21 day of October 1994

Deborah S. Veltri
 Classified Office Mgr. of Clarksburg Telegram

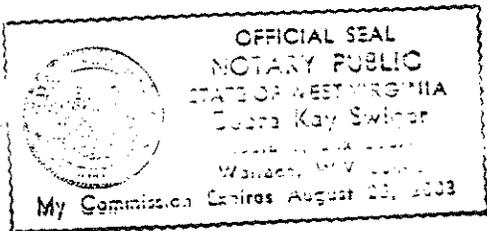


Subscribed and sworn to before me this 21 day of October 1994

Debra Kay Swiger
 Notary Public in and for Harrison County, WV.

My commission expires on the 28th day of August 2003

Form CA-15 T



PROVISIONS OF GENERAL APPLICABILITY TO EACH RATE SCHEDULE:

The following shall be applicable to each of the above listed rate schedules:

DELAY PAYMENT PENALTY
The above rate schedule is net. On all accounts 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 to be collected once for each bill where it is appropriate.

DISCONNECTION FEE
For any new customers who connect into the City of Salem's sanitary sewer collection system during the construction phase of the proposed project, the connecting fee shall be Fifty Dollars (\$50.00).

All future customers connecting to the sanitary sewer system after construction of the proposed project shall be charged a Two Hundred Fifty Dollar (\$250.00) connection fee.

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The Ordinance will be effective upon second reading and adoption, and the rates, charges, and delayed penalty charges herein shall become effective as specified in this Ordinance.

A public hearing regarding the rate increase provided by this Ordinance will be held on the 25th day of October, 1994, beginning at 5:00 o'clock p.m., in the City Council Chambers located at Valley and Mill Streets, in the City of Salem, Harrison County, West Virginia.

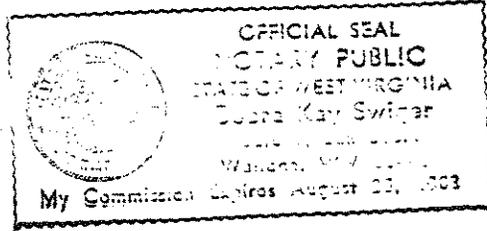
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Passed on first reading October 11, 1994.
Public hearing is scheduled for October 25, 1994 at 6:00 p.m.
Scheduled Second and final reading October 25, 1994.

Mayor

Recorder

City Attorney
This Ordinance Prepared By:
H. Wyatt Hanna, III
HANNA & HANNA
P. O. Box 2311
Charleston, WV 25326



PUBLISHER'S CERTIFICATE

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COUNTY OF HARRISON

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Subscribed and sworn to before me this 21 day

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Debra Kay Swiger
Notary Public in and for Harrison County, WV.

My commission expires on the 28th day of August 2003



CITY OF SALEM
COUNCIL MEETING
OCTOBER 11, 1994

PRESENT:

Thomas G. Mason, Mayor
M. Jane Young, Recorder
David Cutlip, Councilman
David Fisher, Councilman
Florence Hunt, Councilwoman
Kenneth Pethtel, Councilman
William Price, Councilman

ABSENT:

Ronald Carder, Councilman
Thomas Fluharty, Attorney

The City of Salem held their regular council meeting on Tuesday, October 11, 1994, at 7:00 p.m. Councilman Price led in the Prayer & Pledge of Allegiance.

APPROVAL OF PREVIOUS MINUTES:

Minutes of the Special Meeting held on September 06, 1994, to discuss holding a Special Election were presented. Councilman Cutlip motioned to accept the minutes as presented. Councilman Pethtel seconded the motion, and it carried. Councilman Price and Councilwoman Hunt abstained, due to not being present that the Special Meeting.

Minutes of the previous council meeting dated September 27, 1994, were presented. Mayor Mason noted that on page 1, a correction should be made changing: lift to customers, it should read list of customers. Councilman Price stated that he would like the reason he abstained from voting to be noted on page 1, it should read: because he wasn't present at the previous meeting. Councilman Cutlip stated that he would like the reason he abstained from voting to be noted on page 4, it should read: due to possibly being involved in financing. Council discussed the Police Department needing more manpower. Council further discussed the possibility of hiring a retired police officer on a part-time basis so the City wouldn't have to pay for another officer to be sent to the Police Academy. Councilman Price made a motion to accept the previous meeting minutes as corrected, Councilman Fisher seconded the motion, and it carried. Councilman Pethtel abstained, due to not being present at that meeting.

RECORDER'S REPORT OF RECEIPTS & DISBURSEMENTS:

Councilman Pethtel made a motion to accept the Recorder's Report of Receipts & Disbursements, Councilman Price seconded, and the motion carried 5-0.

RECORDER'S REPORT OF BILLS TO BE APPROVED:

Councilman Price motioned to pay bills as money becomes available, Councilwoman Hunt seconded, and the motion carried 5-0.

POLICE REPORT:

Councilman Price motioned to accept the police report as presented. Councilman Pethtel seconded the motion and it carried 5-0.

BUSINESS LICENSES & BUILDING PERMITS:

BUILDING PERMITS:

Catherine Graton, 55 Terrace Avenue, Salem, WV
Re-Roof, siding, windows and plumbing = 15,000.00 / Cobos & GB
Plumbing.

James Blake, 82 Liberty Street, Salem, WV
10x16 Barn Kit-Installation, 2 sq. siding = \$1000.00 / Self.
Councilman Price motioned to grant the building permits as
presented, Councilwoman Hunt seconded, and the motion carried 5-0.

OLD BUSINESS:

BRUCE STREET:

Mayor Mason recommend the City not abandon the Street and to
reimburse surveyor fees. Councilman Price motioned to rescind the
Ordinance to Abandon Bruce Street, and reimburse surveying fees.
Councilman Fisher seconded and the motion carried 5-0. Attorney
Fluharty is to be contacted to rescind Ordinance.

HARDEN LIBRARY FUND:

Council discussed that they were unable to donate under State
law. Further discussion was held.

BRISSEY BUILDING:

Council discussed the building on Main Street that is owned by
Richard Brissey. It needs to have further action taken, it's a
health hazard. Mayor Mason advised that a letter from Attorney
Fluharty has already been sent with no response. The building is
very dangerous. Mayor Mason advised that he would talk to Dr.
Audia, who's office building is located next to Mr. Brissey's, to
see if he could had any suggestions, and have Rick Todd inspect the
building to see what further can be done.

COLLEGE INN:

It was discussed that the College Inn only painted up to the
windows. The upper part of the building was not done. Mayor Mason
advised that they would talk to the owner about it.

OCTOBER 25, 1994 COUNCIL MEETING

Mayor Mason informed Council that he will not be able to
attend the October 25, 1994 meeting. He advised that another
Council member needs to fill in.

✓ SEWER RATE INCREASE ORDINANCE:

Councilman Price motioned to waive the 1st reading of the
Sewer Rate Increase Ordinance. Councilman Pethtel seconded and the
motion carried 5-0.

CITY OF SALEM COUNCIL MEETING
OCTOBER 11, 1994
PAGE 3

✓ Councilman Fisher motioned to accept the reading and adopt the Sewer Rate Increase Ordinance. Councilman Pethtel seconded, and the motion carried 5-0.

Council discussed the possibilities of what will happen if there's a protest because the Ordinance has already passed. Recorder Young is to contact the PFC and ask the question, if there is a protest, what will happen because our Ordinance for the increase to \$7.10 has already passed. Further discussion was held.

GRANT AGREEMENT:

Councilman Cutlip motioned to authorize Mayor Mason to act on and/or sign the FHA Association Water or Sewer System Grant Agreement and all other papers needing immediate response, presenting them to Council at the next regularly schedule Council Meeting. Councilman Price seconded the motion, and it carried 5-0.

FHA-OPERATING BUDGET

Council discussed the estimated first year budget. Councilman Fisher motioned to accept the estimated first year budget, Councilman Pethtel seconded, and the motion carried 5-0.

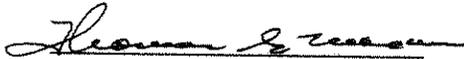
NEW BUSINESS:

CHRISTMAS LIGHTS:

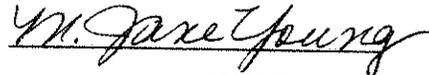
Council discussed the Christmas Lights for the downtown area of Salem. It was decided that Councilman Price is to check into replacing Christmas Lights.

ADJOURN:

Councilman Price motioned to adjourn, Councilwoman Hunt seconded, and the motion carried 5-0. The Council Meeting adjourned at 8:20 p.m.



MAYOR



RECORDER

**CITY OF SALEM
REGULAR COUNCIL MEETING MINUTES
OCTOBER 25, 1994.**

PRESENT:

Ronald Carder, Councilman
H. David Cutlip, Councilman
David W. Fisher, Councilman
Kenneth Pethtel, Councilman
Thomas H. Fluharty, Attorney
M. Jane Young, Recorder

ABSENT:

Thomas G. Mason, Mayor
Florence Hunt, Councilwoman
William Price, Councilman

The City Council of Salem met on Tuesday, October 25, 1994 at 8:00 p.m. for their regular monthly meeting. On the advice of Attorney Fluharty, upon reflection of the Charter, Council held the regular monthly meeting. Recorder Young opened the meeting at 8:00 p.m.

Councilman Cutlip motioned that Councilman Fisher preside over the Council Meeting. Councilman Pethtel seconded, and the motion carried 4-0.

✓ Councilman Cutlip motioned to suspend with the normal course of business and move to the Second Reading of An Ordinance of the City of Salem Amending and Reenacting the Establishment and Fixing of Rates, Charges and Delayed Penalty Charges for Sanitary Sewer Services for Customers of the Sanitary Sewer Systems of the City of Salem, Harrison County, West Virginia, and First Reading of An Ordinance to Authorize the Sale of Real Estate (Irwin & High Street Lot). Councilman Pethtel seconded the motion, and it carried 4-0.

SECOND READING OF ORDINANCE OF THE CITY OF SALEM AMENDING AND REENACTING THE ESTABLISHMENT AND FIXING OF RATES, CHARGES AND DELAYED PENALTY CHARGES FOR SANITARY SEWER SERVICES FOR CUSTOMERS OF THE SANITARY SEWER SYSTEMS OF THE CITY OF SALEM, HARRISON COUNTY, WEST VIRGINIA.

Councilman Cutlip motioned to suspend the Second Reading of the Ordinance. Councilman Carder seconded, and the motion carried 4-0.

Councilman Cutlip motioned to Adopt the Ordinance of the City of Salem Amending and Reenacting the Establishment and Fixing of Rates, Charges and Delayed Penalty Charges for Sanitary Sewer Services for Customers of the Sanitary Sewer Systems of the City of Salem, Harrison County, West Virginia on the second reading of the Ordinance. Councilman Pethtel seconded and the motion carried 4-0.

FIRST READING OF AN ORDINANCE TO AUTHORIZE SALE OF REAL ESTATE.
(Irwin & High Street Lot)

Councilman Pethtel motioned to suspend the First Reading of the Ordinance. Councilman Carder seconded and the motion to suspend the First Reading carried 4-0.

Councilman Pethtel motioned to accept an Ordinance to Authorize Sale of Real Estate on the First Reading of An Ordinance to Authorize Sale of Real Estate. Councilman Carder seconded and the motion carried 4-0.

CITY OF SALEM COUNCIL MEETING
OCTOBER 25, 1994
PAGE 2

Attorney Fluharty advised Council that Council should continue the meeting until more Council Members or the Mayor could attend.

Councilman Cutlip motioned to continue the meeting until October 26, 1994, at 8:30 p.m. Councilman Carder seconded the motion, and it carried 4-0.

CITY OF SALEM
REGULAR COUNCIL MEETING-CONTINUED
OCTOBER 26, 1994

PRESENT:

Thomas Mason, Mayor
Ronald Carder, Councilman
David Cutlip, Councilman
David Fisher, Councilman
Florence Hunt, Councilwoman
Kenneth Pethel, Councilman
M. Jane Young, Recorder

The Salem City Council met on Wednesday, October 26, 1994, at 8:30 p.m. to continue the regular council meeting called to order on October 25, 1994, at 8:00 p.m. Mayor Mason called meeting back to order.

✓ Councilman Cutlip motioned that the actions taken by the four Council members present at the regular council meeting accepting An Ordinance of the City of Salem Amending and Reenacting the Establishment and Fixing of Rates, Charges and Delayed Penalty Charges for Sanitary Sewer Services for Customers for the Sanitary Sewer Systems of the City of Salem, Harrison County, West Virginia, upon Second Reading be ratified. Councilman Fisher seconded the motion, and the Ordinance was ratified by Council by a 6-0 vote.

Councilman Cutlip motioned that the actions taken by the four Council members present at the regular council meeting accepting An Ordinance to Authorize Sale of Real Estate upon First Reading be ratified. Councilman Fisher seconded and the Ordinance was ratified by Council by a 6-0 vote.

APPROVAL OF PREVIOUS MINUTES:

Councilwoman Hunt motioned to accept the minutes from October 11, 1994. Councilman Price noted that the minutes didn't reflect the discussion held in reference to the Police Department. Recorder Young advised that the correction will be made. Councilman Price seconded the motion to accept the previous minutes. Councilman Carder abstained due to not being present at that meeting, Councilman Cutlip opposed, and the motion carried 4-1.

CITY LICENSE & BUILDING PERMITS:

BUILDING PERMITS:

Recorder Young advised Council that all the Building Permits presented have been validated by Richard Todd, Building Inspector.

BUILDING PERMITS:

Ray George, 241 West Main, Salem, WV
Siding and Repair Foundation, 95600.00 - DMH Construction,
1026 Watkins Lane, Clarksburg, WV
Joseph Audia, 59 Water Street, Salem, WV
Concrete slab in parking lot, 93650.00 - John M. Carder, Route
2, Box 226, Salem, WV

CITY OF SALEM COUNCIL MEETING
OCTOBER 26, 1994
PAGE 2

West Salem United Methodist Church, Salem, WV
Siding, 10,000 - Weather Armor, 103 Grove Avenue #D,
Clarksburg, WV

Councilman Carder motioned to accept the building permits as presented. Councilman Pethtel seconded the motion, and it carried 6-0.

CITY LICENSES:

Weather Armor, Patrick Corrigan, 1415 North 17th Street, Clarksburg, WV

Contractor, Home Improvements

Joel Davisson, Route 1, Box 118, Salem, WV

Graphics

DMH Construction, 1331 North 19th Street, Clarksburg, WV

Contractor

Detailing Shop, Randy Davis, 128 West Main Street, Salem, WV

Auto Detailing

Councilman Pethtel motioned to accept the business licenses as presented, Councilman Price seconded, and the motion carried 6-0.

RENEWAL OF MUTUAL AID AGREEMENT:

Councilman Pethtel motioned to sign the mutual aid agreement, Councilman Price seconded and the motion carried 6-0.

RICK HARPER-END OF PROBATIONARY PERIOD:

Mayor Mason recommended that Rick Harper be hired as a full-time permanent employee of the City of Salem. Councilman Price motioned to accept Mayor Mason's recommendation. Councilman Carder seconded, and the motion carried 6-0.

SALEM CITY PARK WALL REPAIR:

Council discussed the repair of the park wall. Mayor Mason advised Council that the bid he received from Scott Burnside was for \$3,250.00 with the City furnishing materials, supplies, backhoe and labor. Councilman Carder motioned to accept the bid to repair the wall, Councilman Cutlip seconded and the motion carried 6-0.

ACCESS LEVY

Councilman Price requested Recorder Young will have the procedures and the dollar amount generated by using the maximum levy amount, by the second Council Meeting in November.

CHRISTMAS LIGHTS

Councilman Price informed Council that the Christmas Light project will cost approximately \$4,500-\$5,000. He advised that flags approximately \$75.00, and that lights for the poles are approximately \$250.00 per light, and there are fifteen poles in the downtown area. Further discussion was held. Recorder Young advised Council that \$1,169.00 was budgeted in the FY95 Budget for

Beautification. Council requested Councilman Price to check and see what could be bought with \$1,000.00.

BROCHURE

Dr. Audia, Salem Chamber of Commerce, presented Council with the brochures printed for the City of Salem. He advised that donations have been made to the project, and the total project cost was \$2,880.00. After donations, the remaining cost would be approximately \$1,315.00.

Councilman Pathtel motioned to take \$1315.00 from UDAG Fund for the brochure. Councilwoman Hunt seconded, and the motion carried 6-0.

LIONS CLUB COMMUNITY PROJECT-JOSEPH AUDIA, CHAIRPERSON

Dr. Joseph Audia addressed Council regarding the Lions Club Community Project. The Lions Club would like to do something within the community that would be given back to the town. They have two projects proposed: (1) Build a concession stand with a kitchen at the Depot area, and (2) add onto the Barn to allow for dinners, and handicap accessibility.

Dr. Audia invited Council to join the Chamber of Commerce. He also discussed the possibility of having a voluntary meeting of City employees to explain and answer questions on the Charter. Mayor suggested having the meeting during regular working hours. Further discussion was held.

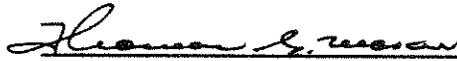
LETTER FROM SALEM-TEIKYO UNIVERSITY

Council discussed the letters that have been circulating concerning the Salem-Teikyo University Community Committee. Further discussion was held concerning the Committee and the City's involvement.

Council entered into Executive Session at 9:44. Council entered back into regular session at 10:10. No business was conducted in Executive Session.

ADJOURN

Councilman Price motioned to adjourn. Councilwoman Hunt seconded and the meeting adjourned at 10:10.


MAYOR


RECORDER



NOTICE
 A public hearing was held before the Council of the City of Salem, West Virginia, on June 8, 1995, at 7:00 p.m. in the Council Chamber of the Salem City Hall, Salem, West Virginia, and at that hearing any person interested may appear before the Council and present protests, and all protests and suggestions shall be heard by the Council and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN ELEVEN HUNDRED AND SEVENTY FIVE THOUSAND AND NOT MORE THAN THREE HUNDRED AND FIFTY THOUSAND DOLLARS (\$1,225,000) IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995, AND NOT MORE THAN SEVEN HUNDRED AND FIFTY THOUSAND (\$750,000) IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE ANTICIPATION NOTES ON A BASIS OF CREDIT EVIDENCED BY NOTES OR ANY COMBINATION OF THE FOREGOING, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above - entitled Ordinance was adopted by the Council of the City of Salem on June 8, 1995. The above - quoted title of the Ordinance describes generally the contents thereof and the purpose of the Bonds and the Notes contemplated thereby. The City of Salem contemplates the issuance of the Bonds and the Notes described in said Ordinance. The proceeds of the Bonds will be used to provide permanent financing of a portion of the cost of acquisition and construction of additions, betterments, and improvements to the existing public sewerage system of the City of Salem (the "Project"). The proceeds of the Notes will be used to provide temporary financing of a portion of the cost of the Project. The Bonds are payable solely from revenues to be derived from the operation and operation of the sewerage system of the City. The Notes are payable solely from proceeds of the Bonds or any grants for the Project. No fiscal year at any time be levied for the payment of the Bonds or the Notes or the interest thereon.

A certified copy of the above - entitled Ordinance is on file with the Council at the office of the Recorder of the City of Salem for review by interested parties during regular office hours. Following said public hearing, the Council intends to enact said Ordinance upon final reading.
 Dated: June 8, 1995
 by **THOMAS G. WASON**
 Mayor

OFFICIAL SEAL
 CLARKSBURG PUBLIC
 CLARKSBURG, WEST VIRGINIA
 Debra Kay Swiger
 Notary Public, License No. 205A
 CLARKSBURG, WV 26443
 Expires August 25, 2003

PUBLISHER'S CERTIFICATE

VS.

STATE OF WEST VIRGINIA,
 COUNTY OF HARRISON

I, DEBORAH S. VELTRI

Classified Manager of CLARKSBURG TELEGRAM, a newspaper of general circulation published in the City of Clarksburg, County and State aforesaid, do hereby certify that the annexed

CITY OF SALEM

was published in said CLARKSBURG TELEGRAM once a week for 2 successive weeks,

commencing on the 9th day of June 19 95

and ending on the 16th day of June 19 95

The publisher's fee for said publication is \$ 57.19

Given under my hand this 16th day of June 19 95

Deborah S. Veltri
 Classified Manager of Clarksburg Telegram



Subscribed and sworn to before me this 16th day of

June, 19 95

Debra Kay Swiger
 Notary Public in and for Harrison County, WV.

My commission expires on the 25th day of August, 2003.

Form CA-15 T

CITY OF SALEM
NOTICE OF PUBLIC HEARING ON
SEWER REVENUE BOND AND
NOTES ORDINANCE

A public hearing will be held on the following - entitled Ordinance at a special meeting of the Council of the City of Salem to be held on June 26, 1995, at 7:00 p.m. in the Council chambers at the Salem City Hall, Salem, West Virginia, and at such hearing any person interested may appear before the Council and present protests, and all protests and suggestions shall be heard by the council and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC SEWERAGE FACILITIES OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$3,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1995 B, AND NOT MORE THAN \$1,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

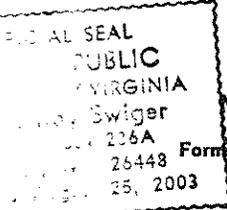
The above - entitled Ordinance was adopted by the Council of the City of Salem on June 8, 1995.

The above - quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds and the Notes contemplated thereby. The City of Salem contemplates the issuance of the Bonds and the Notes described in said Ordinance. The proceeds of the Bonds will be used to provide permanent financing of a portion of the costs of acquisition and construction of additions, betterments and improvements to the existing public sewerage system of the City of Salem (the "Project"). The proceeds of Notes will be used to provide temporary financing of a portion of the costs of the Project. The Bonds are payable solely from revenues to be derived from the ownership and operation of the sewerage system of the City. The Notes are payable solely from proceeds of the Bonds or any grants for the Project. No taxes may at any time be levied for the payment of the Bonds or the Notes or the interest thereon.

A certified copy of the above - entitled Ordinance is on file with the Council at the office of the Recorder of the City of Salem for review by interested parties during regular office hours. Following said public hearing, the Council intends to enact said Ordinance upon final reading.
Dated: June 9, 1995

s/s THOMAS G. MASON
Mayor

05/31/95
SALEMC FF1
788170/91001



PUBLISHER'S CERTIFICATE

VS.

STATE OF WEST VIRGINIA,
COUNTY OF HARRISON

I, DEBORAH S. VELTRI

Classified Office Manager of THE CLARKSBURG EXPONENT, a newspaper of general circulation published in the City of Clarksburg, County and State aforesaid, do hereby certify that the annexed

CITY OF SALEM

was published in said THE CLARKSBURG EXPONENT once a week for 2 successive weeks,

commencing on the 9th day of June 1995

and ending on the 16th day of June 1995

The publisher's fee for said publication is \$ 45.76

Given under my hand this 16th day of June 1995

Deborah S. Veltri
Classified Office Mgr. of The Clarksburg Exponent



Subscribed and sworn to before me this 16th day

of June, 19 95

Debra Kay Swiger
Notary Public in and for Harrison County, WV.

My commission expires on the 25th day of August, 2003.



CITY OF SALEM
SPECIAL COUNCIL MEETING MINUTES
JUNE 01, 1995

PRESENT:

Thomas Mason, Mayor
Ronald Carder, Councilman
David Cutlip, Councilman
David Fisher, Councilman
Kenneth Pethtel, Councilman
William Price, Councilman
Thomas Fluharty, Attorney
M. Jane Young, Recorder

ABSENT:

Florence Hunt, Councilwoman

The Salem City Council met on Thursday, June 01, 1995, for a Special Council Meeting. Mayor Mason called the meeting to order at 7:00 p.m.

✓ SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM) AND SERIES 1995 B ORDINANCE-FIRST READING.

Councilman Cutlip informed Council that the Bond and Notes Ordinance had to be adjusted due to the budget not containing a five-percent (5%) contingency fee in the FHA section, so the bonds had to be adjusted to reflect the fee, raising the bonds \$150,000.

Councilman Carder motioned to suspend the first reading of the Bond and Notes Ordinance, Councilman Pethtel seconded, and the motion carried 5-0.

Councilman Fisher motioned to adopt the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) and Series 1995 B Ordinance on the first reading. Councilman Carder seconded the motion, and it carried 5-0.

CITY RECORDER APPOINTMENT:

Councilman Carder motioned to accept Mayor Mason's appointment of M. Jane Young, as City Recorder, retroactive July 01, 1993. Councilman Price seconded, and the motion carried 5-0.

MOTION TO ADJOURN:

Councilman Carder motioned to adjourn, Councilman Price seconded the motion, and the meeting adjourned at 7:15 p.m.

M. Jane Young Thomas G. Mason
RECORDER MAYOR

**CITY OF SALEM
SPECIAL COUNCIL MEETING
JUNE 8, 1995**

PRESENT:

Thomas Mason, Mayor
Ronald Carder, Councilman
David Fisher, Councilman
Kenneth Pethtel, Councilman
William Price, Councilman
M. Jane Young, Recorder
Thomas Fluharty, Attorney

ABSENT:

David Cutlip, Councilman
Florence Hunt, Councilwoman

The Salem City Council met on Thursday, June 8, 1995, for a Special Council Meeting. Mayor Mason called the meeting to order at 7:26 p.m.

✓ **SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM) AND SERIES 1995 B ORDINANCE-SECOND READING.**

Councilman Fisher motioned to waive the second reading of the Bond and Notes Ordinance, Councilman Price seconded, and the motion carried 4-0.

Councilman Pethtel motioned to adopt the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) and Series 1995 B Ordinance on second reading. Councilman Fisher seconded, and the motion carried 4-0.

APPROVAL OF INVOICES FOR PAYMENT- THE FIRST DRAW DOWN ON BOND CLOSING.

Ralph Laton, Project Coordinator for the new sewer project presented Council with copies of the invoices as of May 31, 1995, to be approved for payment at the Bond Closing, as follows:

WEST UNION BANK, LOC - \$332,394.39:

\$ 15,000.00 - SRF Loan
\$317,394.39 - FmHA Loan

Councilman Carder motioned to approve payment of the West Union Bank, LOC invoice as presented. Councilman Fisher seconded, and the motion carried 4-0.

KANAKANUI ASSOCIATES - \$411,765.67:

\$237,973.67 - SRF Loan
\$107,524.00 - FmHA Loan
\$ 66,268.00 - EPA Design Grant

Council discussed issues which they were concerned about regarding the invoice presented, mainly the issue of the interest charges. Council decided it would be best to approve the invoice for payment, and investigate what actions can be taken at a later date.

Councilman Carder motioned to approve payment of the Kakanui Associates invoice as presented. Councilman Price seconded, and the motion carried 4-0.

SMITH, COCHRAN & HICKS - \$9,222.00:

\$9,222.00 = SRF Loan

Councilman Fisher motioned to approve payment of the Smith, Cochran & Hicks invoice as presented. Councilman Pethtel seconded, and the motion carried 4-0.

STEPTOE & JOHNSON - \$15,000.00:

\$15,000.00 = SRF Loan

\$13,500.00 = FmHA Loan

Councilman Pethtel motioned to approve payment of the Steptoe & Johnson invoice as presented. Councilman Fisher seconded, and the motion carried 4-0.

THOMAS H. FLUHARTY - \$20,000.00:

\$20,000.00 = SRF Loan

Councilman Fisher motioned to approve payment of the Thomas H. Fluharty invoice as presented. Councilman Pethtel seconded, and the motion carried 4-0.

MOTION TO ADJOURN:

Councilman Carder motioned to adjourn, Councilman Price seconded the motion, and the meeting adjourned at 8:07 p.m.


RECORDER


MAYOR

**CITY OF SALEM
PUBLIC HEARING & SPECIAL COUNCIL MEETING
JUNE 26, 1995**

PRESENT:

Thomas G. Mason, Mayor
Ronald Carder, Councilman
David Cutlip, Councilman
David Fisher, Councilman
Florence Hunt, Councilwoman
Kenneth Pethtel, Councilman
William Price, Councilman
M. Jane Young, Recorder
Bradley Eddy

ABSENT:

Thomas Fluharty, Attorney

The City of Salem met on Monday, June 26, 1995, for a Public Hearing & Special Council Meeting.

PUBLIC HEARING:

SEWER REVENUE BONDS, SERIES 1995 A (WEST VIRGINIA SRF PROGRAM) AND SERIES 1995 B AND SEWERAGE SYSTEM INTERIM CONSTRUCTION FINANCING-

Mayor Mason opened the Public Hearing at 7:00 p.m. Recorder Young noted that no one from the Public was present. Mayor Mason closed the Public Hearing at 7:02 p.m.

BONDS AND NOTES ORDINANCE:

Councilman Cutlip motioned to waive the Third Reading of the Bonds and Notes Ordinance, Councilman Fisher seconded the motion, and it carried 6-0.

Councilman Fisher motioned to adopt the Ordinance Authorizing the Acquisition and Construction of Additions, Betterment and Improvements for the Existing Public Sewerage Facilities of the City of Salem and the Financing of the Cost, Not Otherwise Provided, Thereof Through the Issuance by the City of Not More Than \$3,150,000 in Aggregate Principal Amount of Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), and Not More Than \$2,000,000 in Aggregate Principal Amount of Sewer Revenue Bonds, Series 1995 B, and Not More Than \$1,000,000 Interim Construction Financing, Consisting of Bond Anticipation Notes, Grant Anticipation Notes or a Line of Credit Evidenced By Notes, or Any Combination of the Foregoing; Providing for the Rights and Remedies of and Security for the Registered Owners of Such Bonds and Notes; Authorizing Execution and Delivery of a Trust Indenture Securing the Notes; Authorizing Execution and Delivery of all Documents Relating to the Issuance of Such Bonds; Approving and Authorizing or Ratifying and Confirming a Loan Agreement Relating to Such Bonds; Authorizing the Sale and Providing for the Terms and Provisions of Such Bonds and Notes and Adopting Other Provisions Relating Thereto on the Third and Final Reading. Councilman Carder seconded the motion, and it carried 6-0.

CITY OF SALEM PUBLIC HEARING & SPECIAL COUNCIL MEETING MINUTES
JUNE 26, 1995
PAGE 2

SUPPLEMENTAL RESOLUTION:

Councilman Carder motioned to accept the Supplemental Resolution providing for the Terms of the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) and Series 1995 B. Councilwoman Hunt seconded, and the motion carried 6-0.

SUPPLEMENTAL RESOLUTION:

Councilman Fisher motioned to accept the Supplemental Resolution Providing for the Terms of the Sewer Refunding Revenue Bonds, Series 1995 C. Councilman Cutlip seconded, and the motion carried 6-0.

MOTION TO ADJOURN:

Councilwoman Hunt motioned to adjourn, Councilman Pethtel seconded, and the meeting adjourned at 7:05 p.m.

M. Gary Young Steven G. Wason
RECORDER MAYOR

c

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: June 27, 1995

(See Reverse for Instructions)

ISSUE: CITY OF SALEM, Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program)

ADDRESS: P. O. Box 352, Salem, West Virginia 26426

COUNTY: Harrison

PURPOSE New Money X

OF ISSUE: Refunding Refunds issue(s) dated: _____

ISSUE DATE: June 27, 1995

CLOSING DATE: June 27, 1995

ISSUE AMOUNT: \$ 3,150,000

RATE: 0%

Administrative Fee: 1%

1st DEBT SERVICE DUE: 12/1/96

1st PRINCIPAL DUE: 12/1/96

1st DEBT SERVICE AMOUNT: \$47,250

PAYING AGENT: West Virginia Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson

Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee, Esq.
Phone: 340-1318

CLOSING BANK: First National Bank

Contact Person: Helen Dotson
Phone: 782-2711

ESCROW TRUSTEE:

Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Thomas G. Mason
Position: Mayor
Phone: 782-1313

OTHER:

Contact Person: _____
Function: _____
Phone: _____

DEPOSITS TO MBC AT CLOSE:

By Wire
 Check

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:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: June 27, 1995
(See Reverse for Instructions)

ISSUE: CITY OF SALEM, Sewer Revenue Bonds, Series 1995 B

ADDRESS: P. O. Box 352, Salem, WV 26426

COUNTY: Harrison

PURPOSE: New Money Refunding

OF ISSUE: Refunding Refunds issue(s) dated: _____

ISSUE DATE: June 27, 1995

CLOSING DATE: June 27, 1995

ISSUE AMOUNT: \$ 2,000,000

RATE: 4.5%

1st DEBT SERVICE DUE: 7/27/95

1st PRINCIPAL DUE: 7/27/97

1st DEBT SERVICE AMOUNT: Not Determined

PAYING AGENT: Not Applicable

ISSUERS

BOND COUNSEL: Steptoe & Johnson

Contact Person: Vincent A. Collins, Esq.

Phone: 624-8161

CLOSING BANK: First National Bank

Contact Person: Helen Dotson

Phone: 782-2711

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Thomas G. Mason

Position: Mayor

Phone: 782-1313

UNDERWRITERS

BOND COUNSEL: None

Contact Person: _____

Phone: _____

ESCROW TRUSTEE:

Contact Person: _____

Phone: _____

OTHER:

Contact Person: _____

Function: _____

Phone: _____

DEPOSITS TO MBC AT CLOSE:

By Wire
 Check

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: This issue is a Farmers Home loan. Principal and interest will be paid directly to Farmers Home. The Reserve Account for this issue will be maintained with the West Virginia Municipal Bond Commission.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____



CITY OF SALEM

Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program) and Series 1995 B

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

FIRST NATIONAL BANK, a national banking association, Salem, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond and Notes Ordinance of the City of Salem (the "Issuer"), enacted June 26, 1995, and a Supplemental Resolution of the Issuer adopted June 26, 1995 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) and Series 1995 B, both dated June 27, 1995, in the respective principal amount of \$3,150,000 and \$2,000,000 (collectively, the "Bonds") and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 27th day of June, 1995.

FIRST NATIONAL BANK



Executive Vice President

06/20/95
SALEMC.KK2
788170/91001



CITY OF SALEM

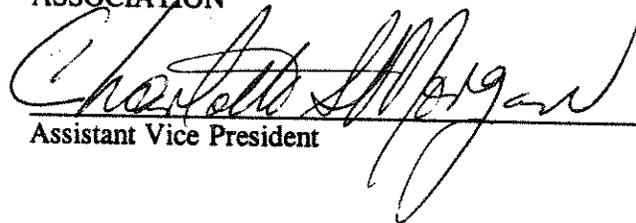
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

ACCEPTANCE OF DUTIES OF REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association with its principal office in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the City of Salem Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated June 27, 1995, in the principal amount of \$3,150,000 ("the Bonds") and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 27th day of June, 1995.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

06/09/95
SALEMC.Y2
788170/91001

CITY OF SALEM

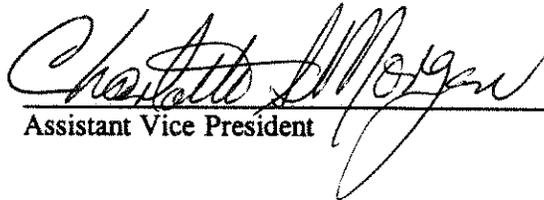
Sewer Revenue Bonds,
Series 1995 A (West Virginia SRF Program)

CERTIFICATE OF REGISTRATION OF SERIES 1995 A BONDS

I, CHARLOTTE S. MORGAN, Assistant Vice President of One Valley Bank, National Association, as Registrar under the Bond Legislation and Registrar's Agreement providing for the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), of the City of Salem (the "Issuer"), hereby certify that on the date hereof, the single, fully registered Sewer Revenue Bond, Series 1995 A (West Virginia SRF Program), of the Issuer, dated June 27, 1995, in the principal amount of \$3,150,000, numbered AR-1, is registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of the One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 27th day of June, 1995.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

06/12/95
SALEMC.AA2
788170/91001

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C

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 27th day of June, 1995, by and between the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$3,150,000 Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), in fully registered form (the "Bonds"), pursuant to a Bond and Notes Ordinance enacted by the Issuer on June 26, 1995, and a Supplemental Resolution adopted by the Issuer on June 26, 1995 (collectively, the "Bond Legislation");

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

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

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

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

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

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

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

ISSUER: City of Salem
P. O. Box 352
Salem, West Virginia 26426
Attention: Mayor

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the CITY OF SALEM and ONE VALLEY BANK, NATIONAL ASSOCIATION, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

CITY OF SALEM

Mayor

ONE VALLEY BANK, NATIONAL
ASSOCIATION

Assistant Vice President

06/12/95
SALEMC.BB2
788170/91001

EXHIBIT A

[Included in transcript as Document No. 1]





DIVISION OF ENVIRONMENTAL PROTECTION

1201 Greenbrier Street
Charleston, WV 25311-1088

GASTON CAPERTON
GOVERNOR

DAVID C. CALLAGHAN
DIRECTOR

March 8, 1995

Honorable Tom Mason
Mayor, City of Salem
City Hall
P. O. Box 352
Salem, WV 26426

CERTIFIED RETURN RECEIPT REQUESTED

Dear Mayor Mason:

Enclosed find WV/NPDES Water Pollution Control Permit No. WV0020257, dated the 8th day of March 1995, for the City of Salem, West Virginia.

Terms and conditions concerning your sewage sludge management program have been added as Section H in this permit, beginning on page 13 of 16. A Sewage Sludge Management Report form and the applicable Sewage Sludge Monitoring Report forms have been attached to the back of the permit. It is suggested that copies of these report forms be made for your future use. These additional terms and conditions shall satisfy the new statutory requirements established in Title 47, Series 38D of the Legislative Rules.

Also, all facilities permitted to discharge pollutants to the waters of the State, under Chapter 22, Article 11 of the West Virginia Code, are required to test their effluent in order to verify permit compliance. This testing is the responsibility of the permittee and these test results are to be submitted to the office on the Discharge Monitoring Report (DMR) which is attached to the back of this permit. A DMR is to be completed and received by this office each month no later than 20 days following the end of the reporting period. The address to which DMRs are to be sent is noted in Section E.2, Attention: Municipal Branch. It is suggested that several copies of the enclosed DMR form be made for your future use, as this office does not supply permittees with DMR forms.

Please note the attachment to this permit which describes the annual permit fee requirement.

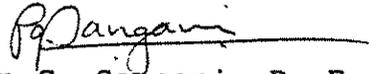
Honorable Tom Mason
Page 2
March 8, 1995

Please also note Section G.7 on page 11 prohibiting the acceptance of new nondomestic wastewater discharges without prior Office approval.

If you have any questions, please contact Robert Bates of this office at (304) 558-4086 or TDD No. (304) 558-2751.

Very truly yours,

OFFICE OF WATER RESOURCES



Pravin G. Sangani, P. E.
Municipal Branch Leader

PGS:mll
Enclosure



J 1A-82
Revised 3/93

STATE OF WEST VIRGINIA
DIVISION OF ENVIRONMENTAL PROTECTION
OFFICE OF WATER RESOURCES
1201 GREENBRIER STREET
CHARLESTON, WV 25311

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM

WATER POLLUTION CONTROL PERMIT

Permit No. WV0020257 Issue Date: March 8, 1995
Subject: Sewage Facilities Effective Date: April 8, 1995
Expiration Date: March 7, 2000
Supersedes: WV/NPDES Permit No. WV0020257 issued June 18, 1990

Location: Salem Harrison Monongahela
(City) (County) (Drainage Basin)

		<u>Existing Plant</u>	<u>New Plant</u>
Outlet	Latitude:	39° 17' 07" N	39° 17' 20" N
Sites:	Longitude:	80° 32' 43" W	80° 31' 54" W

To whom it may concern:

This is to certify that City of Salem
City Hall
Salem, WV 26426

is hereby granted a NPDES Water Pollution Control Permit to operate and maintain (until completion of the new treatment plant described below) an existing 400,000 gallon per day sewage collection and treatment system consisting of the existing collection system, a comminutor, a bar screen, a 57,314 gallon primary aeration tank, a 54,671 gallon secondary aeration tank, a three (3) feet deep trickling filter, a 42,298 gallon clarifier (clarigestor), chlorine disinfection with a 3,166 gallon contact tank, six (6) sludge drying beds with a surface area of 912 ft² per bed, and all necessary appurtenances.

Also, to acquire, construct, install, operate, and maintain a new 400,000 gallon per day sewage collection and treatment system consisting of 6,200 linear feet of 12 inch sewer line, 5,500 linear feet of 10 inch sewer line, 33,500 linear feet of eight (8) inch sewer line, two (2) lift stations, 5,000 linear feet of eight (8) inch force main, 50 linear feet of four (4) inch force main, a mechanical bar screen, a grit removal chamber, a 560,000 gallon oxidation ditch with an intrachannel boat clarifier, three (3) 40 HP rotors, an ultraviolet disinfection unit, a 47,800 gallon sludge holding tank, either two (2) vacuum sludge drying beds with a surface area of 640 ft² per bed a filter belt press for sludge dewatering (The decision on sludge dewatering will be based upon the accepted bid), cascade aeration, and all other necessary appurtenances.

(Continued on Page 2)

Both systems are designed to serve 4,000 persons in the City of Salem. The existing treatment plant discharges the treated wastewater to Salem Fork (5.3 miles from its mouth) of Ten Mile Creek of the West Fork River of the Monongahela River. The new treatment plant shall replace the existing treatment plant and discharge treated wastewater to Salem Fork (4.5 miles from its mouth) of Ten Mile Creek of the West Fork River of the Monongahela River.

This permit is subject to the following terms and conditions:

Bureau of Public Health Permit No. 2021.

The information submitted on and with Permit Application No. WV0020257 dated the 10th day of March 1994 and Permit Modification Application No. WV0020257-A dated the 17th day of February 1994, along with the plans and specifications approved by the Construction Assistance Branch on the 26th day of January 1995, are all hereby made terms and conditions of this Permit with like effect as if all such permit application information was set forth herein, and with other conditions set forth in Sections A, B, C, D, E, F, and G.

NEW SEWAGE TREATMENT FACILITIES CONSTRUCTED IN ACCORDANCE WITH:
PLANS, SPECIFICATIONS, AND REPORTS:

Date Approved:

Prepared by: Kananui Associates; Beckley, WV

Title: Wastewater Pollution Control System; City of Salem; Salem, WV;
SRF Project No. C-544056; Contract No. 1-2 - Wastewater Collection
System; Contract No. 3 - Wastewater Treatment Plant

Summer Conditions (May 1 - October 31)
A.1.a DISCHARGE LIMITATIONS AND MONITORING REQUIREMENTS

During the period beginning April 8, 1995 and lasting through midnight, March 7, 2000 the permittee is authorized to discharge from outlet number(s) 001-Discharge from sewage treatment facilities

Such discharges shall be limited and monitored by the permittee as specified below:

<u>Effluent Characteristic</u>	<u>Discharge Limitations</u>		<u>Monitoring Requirements</u>		
	<u>Avg. Monthly</u>	<u>(Quantity) lbs/day</u> <u>Max. Daily</u>	<u>Other Units(Specify)</u> <u>Avg. Monthly</u>	<u>Measurement Frequency</u> <u>Max. Daily</u>	<u>Sample Type</u>
Flow			0.4 MGD		Continuous Measured
Biochemical Oxygen Demand (5-Day)	33.4	66.7	10.0 mg/l	20.0 mg/l	1/Month 8 hr. composite
Total Suspended Solids	100.1	200.2	30.0 mg/l	60.0 mg/l	1/Month 8 hr. composite
Ammonia Nitrogen (NH ₃ -N)	6.7	13.3	2.0 mg/l	4.0 mg/l	1/Month 8 hr. composite
Fecal Coliform			$\frac{\text{counts}}{100 \text{ ml}}$	$\frac{\text{counts}}{100 \text{ ml}}$	1/Month Grab
Dissolved Oxygen			Not less than 6.0 mg/l at any given time		1/Month Grab

The pH shall not be less than 6.0 standard units and not greater than 9.0 standard units and shall be monitored monthly by grab sampling.

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s): Effluent BOD₅ samples shall be collected at a location immediately preceding disinfection. Other effluent samples shall be collected at or as near as possible to the point of discharge.

This discharge shall not cause violation of Title 46, Series 1, Section 3 of the West Virginia Legislative Rules issued pursuant to Chapter 22, Article 11.

Winter conditions (November 1 - April 30)

A.1.b DISCHARGE LIMITATIONS AND MONITORING REQUIREMENTS

During the period beginning April 8, 1995 and lasting through midnight, March 7, 2000 the permittee is authorized to discharge from outlet number(s) 001-Discharge from sewage treatment facilities

Such discharges shall be limited and monitored by the permittee as specified below:

Effluent Characteristic	Discharge Limitations		Other Units (Specify)		Monitoring Requirements	
	Avg. Monthly	(Quantity) lbs/day Max. Daily	Avg. Monthly	Max. Daily	Measurement Frequency	Sample Type
Flow			0.4 MGD		Continuous	Measured
Biochemical Oxygen Demand (5-Day)	66.7	123.4	20.0 mg/l	40.0 mg/l	1/Month	8 hr. composite
Total Suspended Solids	100.1	200.2	30.0 mg/l	60.0 mg/l	1/Month	8 hr. composite
Ammonia Nitrogen (NH ₃ -N)	13.3	26.7	4.0 mg/l	8.0 mg/l	1/Month	8 hr. composite
Fecal Coliform			200 $\frac{\text{counts}}{100 \text{ ml}}$	400 $\frac{\text{counts}}{100 \text{ ml}}$	1/Month	Grab
Dissolved Oxygen			Not less than 6.0 mg/l at any given time		1/Month	Grab

The pH shall not be less than 6.0 standard units and not greater than 9.0 standard units and shall be monitored monthly by grab sampling.

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s): Effluent BOD₅ samples shall be collected at a location immediately preceding disinfection. Other effluent samples shall be collected at or as near as possible to the point of discharge.

This discharge shall not cause violation of Title 46, Series 1, Section 3 of the West Virginia Legislative Rules issued pursuant to Chapter 22, Article 11.

A.2 SEWER SYSTEM OVERFLOWS

a) Outlet Numbers 002 through 006, listed below, serve as combined sewer relief points. Combined Sewer Overflows (CSOs) are allowed only when flows in combined sewers exceed conveyance capacities during wet weather periods.

<u>Outlet Number</u>	<u>Name and Location</u>	<u>Receiving Stream</u>
002	400 ft. upstream existing plant Lat. 39° 17' 06" N Long. 80° 32' 49" W	Salem Fork
003	600 ft. upstream existing plant Lat. 39° 17' 07" N Long. 80° 32' 52" W	Salem Fork
004	3600 ft. upstream existing plant Lat. 39° 16' 50" N Long. 80° 33' 19" W	Salem Fork
005	6300 ft. upstream existing plant Lat. 39° 16' 57" N Long. 80° 33' 53" W	Salem Fork
006	7300 ft. upstream existing plant Lat. 39° 16' 57" N Long. 80° 34' 04" W	Salem Fork

b) The above listed CSO outlets shall be eliminated upon completion of the new sewage collection system and treatment plant.

B. SCHEDULE OF COMPLIANCE

1. The permittee shall achieve compliance with the provisions for waste treatment and the discharge limitations specified in this permit in accordance with the following schedule:

Effective date of permit.

2. Reports of compliance or noncompliance with, and progress reports on the interim and final requirements contained in the above compliance schedule, shall be submitted no later than 14 days following each schedule date.

C. MANAGEMENT CONDITIONS

- 1. Duty to Comply**
 - (a) The permittee must comply with all conditions of this permit. Permit noncompliance constitutes a violation of the CWA and State Act and is grounds for enforcement action; for permit modification, revocation and reissuance, suspension or revocation; or for denial of a permit renewal application.
 - (b) The permittee shall comply with all effluent standards or prohibitions established under Section 307(a) of the CWA for toxic pollutants within the time provided in the regulations that establish these standards or prohibitions, even if the permit has not yet been modified to incorporate the requirement.
- 2. Duty to Reapply**

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for a new permit at least 180 days prior to expiration of the permit.
- 3. Duty to Mitigate**

The permittee shall take all reasonable steps to minimize or prevent any discharge in violation of this permit, which has a reasonable likelihood of adversely affecting human health or the environment.
- 4. Permit Actions**

This permit may be modified, revoked and reissued, suspended, or revoked for cause. The filing of a request by the permittee for permit modification, revocation and reissuance, or revocation, or a notification of planned changes or anticipated noncompliance, does not stay any permit conditions.
- 5. Property Rights**

This permit does not convey any property rights of any sort or any exclusive privilege.
- 6. Signatory Requirements**

All applications, reports, or information submitted to the Chief shall be signed and certified as required in Title 46, Series 2, Section 4.6 of the West Virginia Legislative Rules.
- 7. Transfers**

This permit is not transferable to any person, except after notice to the Chief. The Chief may require modification or revocation and reissuance of the permit to change the name of the permittee and incorporate such other requirements as may be necessary.
- 8. Duty to Provide Information**

The permittee shall furnish to the Chief, within a reasonable specified time, any information which the Chief may request to determine whether cause exists for modifying, revoking and reissuing, suspending, or revoking this permit, or to determine compliance with this permit. The permittee shall also furnish to the Chief, upon request, copies of records required to be kept by this permit.
- 9. Other Information**

Where the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in a permit application or in any report to the Chief, it shall promptly submit such facts or information.
- 10. Inspection and Entry**

The permittee shall allow the Director, or an authorized representative, upon the presentation of credentials and other documents as may be required by law, to:

 - a) Enter upon the permittee's premises in which an effluent source or activity is located, or where records must be kept under the conditions of this permit;
 - b) Have access to and copy at reasonable times, any records that must be kept under the conditions of this permit;
 - c) Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices, or operations regulated or required under this permit; and
 - d) Samples or monitor at reasonable times, for the purposes of assuring permit compliance or as otherwise authorized by the State Act, any substances or parameters at any locations.
- 11. Permit Modification**

This permit may be modified, suspended, or revoked in whole or in part during its term in accordance with the provisions of Chapter 22, Article 11, Section 12 of the Code of West Virginia.
- 12. Water Quality**

The effluent or effluents covered by this permit are to be of such quality so as not to cause violation of applicable water quality standards adopted by the State Water Resources Board.
- 13. Outlet Markers**

A permanent marker at the establishment shall be posted in accordance with Title 46, Series 3, Section 9 of the West Virginia Legislative Rules promulgated pursuant to Chapter 22, Article 11.
- 14. Liabilities**
 - a) Any person who violates a permit condition implementing sections 301, 302, 306, 307, 308, 318, or 405 of the Clean Water Act is subject to a civil penalty not to exceed \$10,000 per day of such violation. Any person who willfully or negligently violates permit conditions implementing sections 301, 302, 306, 307, or 308 of the Clean Water Act is subject to a fine of not less than \$2,500 nor more than \$25,000 per day of violation, or by imprisonment for not more than 1 year, or both.
 - b) Any person who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under this permit shall, upon conviction, be punished by a fine of not more than \$10,000 per violation, or by imprisonment for not more than 6 months per violation, or by both.
 - c) Any person who knowingly makes any false statement, representation, or certification in any record or other document submitted or required to be maintained under this permit, including monitoring reports or reports of compliance or noncompliance shall, upon conviction, be punished by a fine of not more than \$10,000 per violation, or by imprisonment for not more than 6 months per violation, or by both.
 - d) Nothing in C.14.a), b) and c) shall be construed to limit or prohibit any other authority the Chief may have under the State Water Pollution Control Act, Chapter 22, Article 11.

D. OPERATION AND MAINTENANCE

1. Proper Operation and Maintenance

The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the permittee to achieve compliance with the conditions of the permit. Proper operation and maintenance also includes adequate laboratory controls, and appropriate quality assurance procedures. Unless otherwise required by Federal or State law, this provision requires the operation of back-up auxiliary facilities or similar systems which are installed by the permittee only when the operation is necessary to achieve compliance with the conditions of the permit. For domestic waste treatment facilities, waste treatment operators as classified by the WV Bureau of Public Health Regulations authorized under Chapter 16, Article 1, Public Health Laws, Code of West Virginia, will be required except that in circumstances where the domestic waste treatment facility is receiving any type of industrial waste, the Chief may require a more highly skilled operator.

2. Need to Halt or Reduce Activity Not a Defense

It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

3. Bypass

a) Definitions

- (1) "Bypass" means the intentional diversion of waste streams from any portion of a treatment facility; and
- (2) "Severe property damage" means substantial physical damage to property, damage to the treatment facilities which causes them to become inoperable, or substantial and permanent loss of natural resources which can reasonably be expected to occur in the absence of a bypass. Severe property damage does not mean economic loss caused by delays in production.

b) Bypass not exceeding limitations. The permittee may allow any bypass to occur which does not cause effluent limitations to be exceeded, but only if it also is for essential maintenance to assure efficient operation. These bypasses are not subject to the provisions of D.3.c) and D.3.d) of this permit.

- (1) If the permittee knows in advance of the need for a bypass, it shall submit prior notice, if possible at least ten (10) days before the date of the bypass;
- (2) If the permittee does not know in advance of the need for bypass, notice shall be submitted as required in F.2.b) of this permit.

d) Prohibition of bypass

- (1) Bypass is permitted only under the following conditions, and the Chief may take enforcement action against a permittee for bypass, unless:
 - (A) Bypass was unavoidable to prevent loss of life, personal injury, or severe property damage;
 - (B) There were no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition is not satisfied if adequate backup equipment should have been installed in the exercise of reasonable engineering judgement to prevent a bypass which occurred during normal periods of equipment downtime or preventative maintenance; and
 - (C) The permittee submitted notices as required under D.3.c) of this permit.
- (2) The Chief may approve an anticipated bypass, after considering its adverse effects, if the Chief determines that it will meet the three conditions listed in D.3.d)(1) of this permit.

4. Upset

a) Definition. "Upset" means an exceptional incident in which there is unintentional and temporary noncompliance with technology-based permit effluent limitations because of factors beyond the reasonable control of the permittee. An upset does not include noncompliance to the extent caused by operational error, improperly designed treatment facilities, inadequate treatment facilities, lack of preventative maintenance, or careless or improper operation.

b) Effect of an upset. An upset constitutes an affirmative defense to an action brought for noncompliance with such technology-based permit effluent limitations if the requirements of D.4.c) are met. No determination made during administrative review of claims that noncompliance was caused by upset, and before an action for noncompliance, is final administrative action subject to judicial review.

c) Conditions necessary for a demonstration of upset. A permittee who wishes to establish the affirmative defense of upset shall demonstrate, through properly signed, contemporaneous operating logs, or other relevant evidence that:

- (1) An upset occurred and that the permittee can identify the cause(s) of the upset;
- (2) The permitted facility was at the time being properly operated;
- (3) The permittee submitted notice of the upset as required in F.2.b) of this permit.
- (4) The permittee complied with any remedial measures required under C.3. of this permit.

d) Burden of proof. In any enforcement proceeding the permittee seeking to establish the occurrence of an upset has the burden of proof.

5. Removed Substances

Where removed substances are not otherwise covered by the terms and conditions of this permit or other existing permit by the Chief, any solids, sludges, filter backwash or other pollutants (removed in the course of treatment or control of wastewaters) and which are intended for disposal within the State, shall be disposed of only in a manner and a site subject to the approval by the Chief. If such substances are intended for disposal outside the State or for reuse, i.e., as a material used for making another product, which in turn has another use, the permittee shall notify the Chief in writing of the proposed disposal or use of such substances, the identity of the prospective disposer or users, and the intended place of disposal or use, as appropriate.

E. MONITORING AND REPORTING

1. Representative Sampling

Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.

2. Reporting

- a) Permittee shall submit each month, according to the enclosed format, a Discharge Monitoring Report (DMR) indicating in terms of concentration, and/or quantities, the values of the constituents listed in Part A analytically determined to be in the plant effluent(s).
- b) The required DMRs should be received no later than 20 days following the end of the reporting period and be addressed to:

Chief
Office of Water Resources
1201 Greenbrier Street
Charleston, WV 25311-1088
Attention: Municipal Branch

- c) Enter reported average and maximum values under "Quantity" and "Concentration" in the units specified for each parameter, as appropriate.
- d) Specify the number of analyzed samples that exceed the allowable permit conditions in the columns labeled "N.E." (i.e., number exceeding).
- e) Specify frequency of analysis for each parameter as no. analyses/specified period (e.g. "3/month" is equivalent to 3 analyses performed every calendar month.) if continuous, enter "Cont.". The frequency listed on format is the minimum required.

3. Test Procedures

Samples shall be taken, preserved and analyzed in accordance with the latest edition of 40 CFR Part 136, unless other test procedures have been specified elsewhere in this permit.

4. Recording of Results

For each measurement or sample taken pursuant to the permit, the permittee shall record the following information.

- a) The date, exact place, and time of sampling or measurement;
- b) The date(s) analyses were performed;
- c) The individual(s) who performed the sampling or measurement;
- d) The individual(s) who performed the analyses; if a commercial laboratory is used, the name and address of the laboratory;
- e) The analytical techniques or methods used, and
- f) The results of such analyses.

Information not required by the DMR form is not to be submitted to this agency, but is to be retained as required in E.6.

5. Additional Monitoring by Permittee

If the permittee monitors any pollutant at any monitoring point specified in this permit more frequently than required by this permit, using approved test procedures or others as specified in this permit, the results of this monitoring shall be included in the calculation and reporting of the data submitted in the Discharge Monitoring Report Form. Such increased frequency shall also be indicated. Calculations for all limitations which require averaging of measurements shall utilize an arithmetic mean unless otherwise specified in the permit.

6. Records Retention

The permittee shall retain records of all monitoring information, including all calibration and maintenance records and all original chart recordings for continuous monitoring instrumentation, copies of all reports required by this permit, and records of all data used to complete the application for the permit, for a period of at least three(3) years from the date of the sample, measurement, report or application. This period may be extended by request of the Chief at any time.

7. Definitions

- a) "Daily discharge" means the discharge of a pollutant measured during a calendar day or within any specified period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in units of mass, the daily discharge is calculated as the total mass of the pollutant discharged over the day. For pollutants with limitations expressed in other units of measurement, the daily discharge is calculated as the average measurement of the pollutant over the day.
- b) "Average monthly discharge limitation" means the highest allowable average of daily discharges over a calendar month, calculated as the sum of all daily discharges measured during a calendar month divided by the number of daily discharges measured during that month.
- c) "Maximum daily discharge limitation" means the highest allowable daily discharge.
- d) "Composite Sample" is a combination of individual samples obtained at regular intervals over a time period. Either the volume of each individual sample is proportional to discharge flow rates or the sampling interval (for constant volume samples) is proportional to the flow rates over the time period used to produce the composite. The maximum time period between individual samples shall be two hours.
- e) "Grab Sample" is an individual sample collected in less than 15 minutes.
- f) "i-s" = immersion stabilization - a calibrated device is immersed in the effluent stream until the reading is stabilized.
- g) The "daily average temperature" means the arithmetic average of temperature measurements made on an hourly basis, or the mean value plot of the record of a continuous automated temperature recording instrument, either during a calendar month, or during the operating month if flows are of shorter duration.
- h) The "daily maximum temperature" means the highest arithmetic average of the temperatures observed for any two(2) consecutive hours during a 24-hour day, or during the operating day if flows are of shorter duration.
- i) The "daily average fecal coliform" bacteria is the geometric average of all samples collected during the month.
- j) "Measured Flow" means any method of liquid volume measurement, the accuracy of which has been previously demonstrated in engineering practice, or for which a relationship to absolute volume has been obtained.
- k) "Estimate" means to be based on a technical evaluation of the sources contributing to the discharge including, but not limited to pump capabilities, water meters and batch discharge volumes.
- l) "Noncontact cooling water" means the water that is contained in a leak-free system, i.e. no contact with any gas, liquid, or solid other than the container for transport; the water shall have no net poundage addition of any pollutant over intake water levels, exclusive of approved anti-fouling agents.

F. OTHER REPORTING

1. Reporting Spills and Accidental Discharges

Nothing in this permit shall be construed to preclude the institution of any legal action or relieve the permittee for any responsibilities, liabilities, or penalties established pursuant to Title 46, Series 3, Section 2 of the West Virginia Legislative Rules promulgated pursuant to Chapter 22, Article 11. Attached is a copy of the West Virginia Spill Alert System for use in complying with Title 46, Series 3, Section 2 of the rules as they pertain to the reporting of spills and accidental discharges.

2. Immediate Reporting

- a) The permittee shall report any noncompliance which may endanger health or the environment immediately after becoming aware of the circumstances by using the Agency's designated spill alert telephone number. A written submission shall be provided within five(5) days of the time the permittee becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.
- b) The following shall also be reported immediately:
 - (1) Any unanticipated bypass which exceeds any effluent limitation in the permit;
 - (2) Any upset which exceeds any effluent limitation in the permit; and
 - (3) Violation of a maximum daily discharge limitation for any of the pollutants listed by the Chief in the permit to be reported immediately. This list shall include any toxic pollutant or hazardous substance, or any pollutant specifically identified as the method to control a toxic pollutant or hazardous substance.
- c) The Chief may waive the written report on a case-by-case basis if the oral report has been received in accordance with the above.
- d) Compliance with the requirements of F.2. of this section, shall not relieve a person of compliance with Title 46, Series 3, Section 2.

3. Reporting Requirements

- a) Planned changes. The permittee shall give notice to the Chief of any planned physical alterations or additions to the permitted facility which may affect the nature or quantity of the discharge. Notice is required when:
 - (1) The alteration or addition to a permitted facility may meet one of the criteria for determining whether a facility is a new source in Section 13.7.b of Title 46, Series 2; or
 - (2) The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. The notification applies to pollutants which are subject neither to effluent limitations in the permit, nor to notification requirements under F.2. of this section.
- b) Anticipated noncompliance. The permittee shall give advance notice to the Chief of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.
- c) In addition to the above reporting requirements, all existing manufacturing, commercial, and silvicultural discharges must notify the Chief in writing as soon as they know or have reason to believe:
 - (1) That any activity has occurred or will occur which would result in the discharge, on a routine or frequent basis, or any toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":
 - (A) One hundred micrograms per liter (100 ug/l);
 - (B) Two hundred micrograms per liter (200 ug/l) for acrolein and acrylonitrile; five hundred micrograms per liter (500 ug/l) for 2,4-dinitro phenol; and for 2-methyl 4,6-dinitrophenol; and one milligram per liter (1 mg/l) for antimony;
 - (C) Five(5) times the maximum concentration value reported for that pollutant in the permit application in accordance with Section 4.4.b.9 of Title 46, Series 2;
 - (D) The level established by the Chief in accordance with Section 6.3.g. of Title 46, Series 2;.
 - (2) That any activity has occurred or will occur which would result in any discharge (on a non-routine or infrequent basis) of a toxic which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":
 - (A) Five hundred micrograms per liter (500 ug/l);
 - (B) One milligram per liter (1 mg/l) for antimony;
 - (C) Ten(10) times the maximum concentration value reported for that pollutant in the permit application in accordance with Section 4.4.b.7. of Title 46, Series 2;
 - (D) The level established by the Chief in accordance with Section 6.3.g. of Title 46, Series 2;.
 - (3) That they have begun or expect to begin to use or manufacture as an intermediate or final product or by-product of any toxic pollutant which was not reported in the permit application under Section 4.4.b.9 of Title 46, Series 2 and which will result in the discharge on a routine or frequent basis of that toxic pollutant at levels which exceed five times the detection limit for that pollutant under approved analytical procedure.
 - (4) That they have begun or expect to begin to use or manufacture as an intermediate or final product or by-product of any toxic pollutant which was not reported in the permit application under Section 4.4.b.9 of Title 46, Series 2 and which will result in the discharge on a non-routine or infrequent basis of that toxic pollutant at levels which exceed ten times the detection limit for that pollutant under approved analytical procedure.

4. Other Noncompliance

The permittee shall report all instances of noncompliance not reported under the above paragraphs at the time monitoring reports are submitted. The reports shall contain the information listed in F.2.a).

G. OTHER REQUIREMENTS

1. The herein-described treatment works, structures, electrical and mechanical equipment shall be adequately protected from physical damage by the maximum expected one hundred (100) year flood level and operability be maintained during the twenty-five (25) year flood level.
2. The entire sewage treatment facility shall be adequately protected by fencing.
3. Continuous maintenance and operation of the listed sewage treatment facility shall be performed by or supervised by a certified operator possessing at least a class II certificate for Waste Water Treatment Plant Operators, issued by the State of West Virginia.
4. An instantaneous flow from the sewage disposal system shall not exceed the peak design flow at any given time.
5. The arithmetic mean of values for effluent samples collected in a period of seven(7) consecutive days shall not exceed 15.0 mg/l for BOD₅, 45.0 mg/l for TSS and 3.0 mg/l for NH₃-N during the period May 1 - October 31 and shall not exceed 30.0 mg/l for BOD₅, 45.0 mg/l for TSS, and 6.0 mg/l for NH₃-N for the period November 1 - April 30.
6. The arithmetic mean of the effluent values of the BOD₅ and TSS discharged during a period of 30 consecutive days shall not exceed 15 percent of the respective arithmetic mean of the influent values for these parameters during the same time period except as specifically authorized by the permitting authority.
7. The permittee shall not accept any new non-domestic discharges without first obtaining approval from the Chief of the Office of Water Resources as provided in Title 46, Series 2, Section 14 of the West Virginia Legislative Rules.
8. If any existing non-domestic discharge causes, or is suspected of causing, interference or pass through (as defined by 40 CFR 403.3) or otherwise violates any provision of 40 CFR 403, the permittee shall notify the Chief of such violation or suspected violation.
9. If any existing non-domestic discharge is identified as being subject to a Categorical Pretreatment Standard under 40 CFR Chapter 1, Subchapter N, and the discharge is not regulated by this permit, the permittee shall notify the Chief of such identification.

G. OTHER REQUIREMENTS

10. The monitoring requirements for Total Residual Chlorine (TRC) shall be waived so long as an ultraviolet unit is used for disinfection. If in the future the permittee would choose to chlorinate the effluent as a means of disinfection, the permittee will be required to monitor the discharge for TRC.

A. SEWAGE SLUDGE MANAGEMENT REQUIREMENTS

1. The permittee shall monitor and report monthly on the enclosed Sewage Sludge Management Report form the quality and quantity of sewage sludge produced. The required report shall be received no later than 20 days following the end of the reporting period and be addressed to:

Chief
Office of Water Resources
1201 Greenbrier Street
Charleston, WV 25311-1088
Attention: Program Management/
Technical Support

2. The permittee shall provide copies of monthly reports to the county or regional solid waste authority in which the facility or land application site(s) is located.
3. The Sewage Sludge Monitoring Report form shall be submitted semi-annually. The required report shall be received no later than 20 days following the end of the reporting period and shall be addressed to the following:

Chief
Office of Water Resources
1201 Greenbrier Street
Charleston, WV 25311-1088
Attention: Program Management/
Technical Support

WVU Extension Specialist - Waste Management
West Virginia University Extension Service
1058 Agricultural Science Building
Post Office Box 6108
Morgantown, WV 26506-6108

4. The following method of sludge disposal shall be used for sewage sludge generated and/or processed at the permitted facility:

A. Landfill Disposal: Sewage sludge may be disposed at a landfill by placing the sewage sludge in the landfill cell, provided that the landfill obtains approval from the Office of Waste Management to allow the acceptance of sewage sludge from the permittee, and provided that the landfill(s) is/are identified in the permit application. Prior approval by the Office of Water Resources is required to change landfill disposal site(s).

1. SEWAGE SLUDGE MANAGEMENT REQUIREMENTS (Continued)

5. All analyses performed on soils and sewage sludges shall be analyzed in accordance with analytical methods listed in 40 CFR Part 503.8 except that Nutrients may be analyzed in accordance with the most recently approved edition of Standard Methods.
6. Sewage sludge disposed in a landfill cell shall be a non-hazardous material as defined in 40 CFR Part 261.24 and a minimum of 20% solids. If the sewage sludge is not 20% solids, a bulking agent may be used to achieve 20% solids before the sewage sludge is weighed in at the landfill.
7. If sewage sludge is used for revegetation, or spread in any other manner at the landfill, the sewage sludge shall meet all of the land application requirements. These requirements include vector attraction and pathogen reduction methods, heavy metals limits, and abiding by an approved loading rate based on soil analyses.
8. The permittee shall maintain all records and reports of all monitoring required by Section H of this permit for five (5) years after the date of monitoring or reporting. Records should include all sample results; any landfill receipts; copies of all required reports; and records of all data used to complete these reports.
9. The following limitations and monitoring requirements shall apply to the sewage sludge or sewage sludge products:

<u>Parameter</u>	<u>Maximum Allowable Limitations (mg/kg)</u>	<u>Monitoring Frequency</u>	<u>Sample Type</u>
Arsenic	Monitor	1/6 Months	one week comp.
Cadmium	Monitor	1/6 Months	one week comp.
Chromium	Monitor	1/6 Months	one week comp.
Copper	Monitor	1/6 Months	one week comp.
Lead	Monitor	1/6 Months	one week comp.
Mercury	Monitor	1/6 Months	one week comp.
Molybdenum	Monitor	1/6 Months	one week comp.
Nickel	Monitor	1/6 Months	one week comp.
Selenium	Monitor	1/6 Months	one week comp.
Zinc	Monitor	1/6 Months	one week comp.
pH	Monitor	1/6 Months	one week comp.
Percent Solids	Monitor	1/6 Months	one week comp.
Magnesium	Monitor	1/6 Months	one week comp.
Potassium	Monitor	1/6 Months	one week comp.
Phosphorus	Monitor	1/6 Months	one week comp.
Calcium	Monitor	1/6 Months	one week comp.
Organic Nitrogen	Monitor	1/6 Months	one week comp.
Ammonia Nitrogen	Monitor	1/6 Months	one week comp.
Total Nitrogen	Monitor	1/6 Months	one week comp.

H. SEWAGE SLUDGE MANAGEMENT REQUIREMENTS (Continued)

The appropriate composite sampling procedures shall be based upon the particular sludge processing methods used by the permittee. The composite sampling procedures for the various methods are described as follows:

Belt Press or Vacuum Filter - During the week that the composite sample is obtained, the permittee shall take a minimum of 3 grab samples during each day of the week that the dewatering system is in operation. These grab samples are to be mixed together and the final sample obtained from the composite. Samples should be collected at a point immediately after the dewatering operation.

Liquid Sludge - During the week that the composite sample is obtained, the permittee shall take a representative grab sample from each truck load of sewage sludge hauled during that week. These grab samples are to be mixed together and the final sample obtained from the composite. Samples should be collected from the sewage sludge being pumped into the truck or as the sewage sludge is being discharged from the truck.

Sewage Sludge Drying Beds - During the week that the composite sample is obtained, the permittee shall take a minimum of 4 grab samples from each bed finished during that week. These grab samples are to be mixed together and the final sample obtained from the composite.

Composting or Stock Piles - The permittee shall obtain a minimum of 8 grab samples from the pile of finished product. These grab samples are to be mixed together and the final sample obtained from the composite.

The herein-described activity is to be extended, modified, added to, made, enlarged, acquired, constructed or installed, and operated, used and maintained strictly in accordance with the terms and conditions of this permit; with the plans and specifications submitted with Permit Application No. WV0020257, dated the 10th day of March, 1994 and with Permit Modification Application No. WV0020257-A, dated the 17th day of February, 1994; with the plan of maintenance and method of operation thereof submitted with such application(s); and with any applicable rules and regulations promulgated by the Environmental Quality Board and the Director of the Division of Environmental Protection.

Failure to comply with the terms and conditions of this permit, with the plans and specifications submitted with Permit Application No. WV0020257, dated the 10th day of March, 1994 and with Permit Modification Application No. WV0020257-A dated the 17th of February, 1994, and with the plan of maintenance and method of operation thereof submitted with such application(s) shall constitute grounds for the revocation or suspension of this permit and for the invocation of all the enforcement procedures set forth in Chapter 22, Article 11 of the Code of West Virginia.

This permit is issued in accordance with the provisions of Chapter 22, Article 11 of the Code of West Virginia and is transferable under the terms of Section 11 of said article.

By: Wanda Scott
Chief

MAS/rb

Parameter	Minimum	Quantity		Units	N.E.	Other Units		Measurement Frequency	Sample Type
		Avg. Monthly	Max. Daily			Minimum	Avg. Monthly		
Flow, in Conduit or thru trmt plant	*****	*****	*****	***					
50050	*****	*****	*****	***		0.4	N/A	MGD	Measured
BOD, 5-Day (20 Deg. C)									
00310	N/A	33.4	66.7	lbs/day		10.0	20.0	mg/l	8-Hour Composite
Solids, Total Suspended									
00530	N/A	100.1	200.2	lbs/day		30.0	60.0	mg/l	8-Hour Composite
Nitrogen, Ammonia (NH ₃ -N)									
00610	N/A	6.7	13.3	lbs/day		2.0	4.0	mg/l	8-Hour Composite
pH	*****	*****	*****	***					
00400	*****	*****	*****	***		6.0	N/A	Std. Units	Grab
Coliform, Fecal Gen-eral	MF		MPN						
74055	Circle	Method	Used			200	400	count/100ml	Grab
Dissolved Oxygen	*****	*****	*****	***					
00300	*****	*****	*****	***		6.0	N/A	mg/l	Grab

Name of Principal Executive Officer _____ Date Completed _____

Title of Officer _____

Signature of Principal Executive Officer or Authorized Agent _____

I certify under penalty of law that this document and all attachments were prepared under my directions or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.

FACILITY NAME City of Salem

COMMERCIAL LABORATORY NAME

LOCATION OF FACILITY Salem, Harrison County

COMMERCIAL LABORATORY ADDRESS

PERMIT NUMBER WV0020257

OUTLET NO. 001

WASTELOAD FOR MONTH OF

19

INDIVIDUAL PERFORMING ANALYSES

Parameter	Minimum	Avg. Monthly	Quantity		Units	N.E.	Other Units		Measurement Frequency	Sample Type
			Reported	Permit Limitation			Max. Daily	Min. Daily		
Flow, in Conduit or thru trmt plant	*****	*****	*****	*****	***					
50050	*****	*****	*****	*****	***		N/A	0.4	N/A	MGD
BOD, 5-Day (20 Deg. C)										
00310	N/A	66.7	123.4		lbs/day		N/A	20.0	40.0	mg/l
Solids, Total Suspended										
00530	N/A	100.1	200.2		lbs/day		N/A	30.0	60.0	mg/l
Nitrogen, Ammonia (NH ₃ -N)										
00610	N/A	13.3	26.7		lbs/day		N/A	4.0	8.0	mg/l
pH										
00400	*****	*****	*****	*****	***					
Coliform, Fecal Gen-eral										
74055	MF	--		MPN						
Dissolved Oxygen										
00300	Circle	Method	Used							
	*****	*****	*****	*****	***		N/A	200	400	count/100ml
	*****	*****	*****	*****	***		6.0	N/A	9.0	Std. Units
	*****	*****	*****	*****	***		6.0	N/A	N/A	mg/l
<p>Name of Principal Executive Officer</p> <p>Title of Officer</p>										<p>Date Completed</p> <p>Signature of Principal Executive Officer or Authorized Agent</p>

I certify under penalty of law that this document and all attachments were prepared under my directions or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.

SEWAGE SLUDGE MANAGEMENT REPORT

FACILITY NAME Salem, City of YEAR _____ PERMIT NUMBER WV0020257
ADDRESS City Hall, P.O. Box 352 MONTH _____ MONITORING FREQUENCY 1/6 Months
CITY Salem ZIP 26426 LAST SAMPLE DATE _____ RESULTS ATTACHED YES\NO

Description of Pathogen Reduction Method:

Description of Vector Attraction Reduction Method:

Total sludge generated this report period: (dry tons) _____ Disposal Method _____

Sludge Generated this year to date: (dry tons) _____ Name of Landfill _____

Percent Solids _____

I certify under penalty of law that the management practices, vector attraction reduction requirements, and the pathogen reduction requirements of Federal regulations 40 CFR Part 503 and state sludge regulations Title 47 Series 38D have been met. This determination has been made under my direction and supervision in accordance with the system designed to ensure that qualified personnel properly gather and evaluate the information used to determine that these requirements have been met.

I also certify that this document and all the attachments were prepared under my direction or supervision, and that this information is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for false certification including the possibility of fine and imprisonment.

OFFICIAL _____ TITLE _____

SIGNATURE _____ DATE _____

FACILITY NAME Salem, City of

LOCATION OF FACILITY Salem, Harrison County

PERMIT NUMBER WV0020257

COMMERCIAL LABORATORY NAME

COMMERCIAL LABORATORY ADDRESS

RESULTS FOR MONTH(S) OF

19

INDIVIDUAL PERFORMING ANALYSES

Parameter	Quantity	Other Units			Measurement Frequency	Sample Type
		Reported	Permit Limitation	Limitation		
Arsenic 61521	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Cadmium 78476	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Chromium 78473	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Copper 78475	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Lead 78468	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Mercury 78471	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Molybdenum 78465	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
Name of Principal Executive Officer		I certify under penalty of law that this document and all attachments were prepared under my directions or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.			Date Completed	
Title of Officer		Signature of Principal Executive Officer or Authorized Agent				

STATE OF WEST VIRGINIA
 NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
 SEWAGE SLUDGE MONITORING REPORT

FACILITY NAME Salem, City of
 LOCATION OF FACILITY Salem, Harrison County
 PERMIT NUMBER WV0020257

COMMERCIAL LABORATORY NAME
 COMMERCIAL LABORATORY ADDRESS

19

RESULTS FOR MONTH(S) OF

INDIVIDUAL PERFORMING ANALYSES

Parameter	Quantity	Other Units			Measurement Frequency	Sample Type
		Average	Maximum	Units N.E.		
Nickel 78469	Reported	*****	*****	*****		
	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
Selenium 49031	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
Zinc 78467	Reported	*****	*****	*****		
	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
pH 00400	Permit Limitation	*****	*****	Std. Units	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
	Permit Limitation	*****	*****	*****		
Percent Solids 61553	Reported	*****	*****	Per-cent	1/6 Months	1 wk.comp
	Permit Limitation	*****	*****	*****		
	Reported	*****	*****	*****		
Magnesium 00924	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
Potassium 78472	Reported	*****	*****	*****		
	Permit Limitation	*****	N/A	mg/kg	1/6 Months	1 wk.comp
	Reported	*****	*****	*****		
Name of Principal Executive Officer		I certify under penalty of law that this document and all attachments were prepared under my directions or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.				Date Completed
Title of Officer		Signature of Principal Executive Officer or Authorized Agent				

STATE OF WEST VIRGINIA
 NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
 SEWAGE SLUDGE MONITORING REPORT

FACILITY NAME Salem, City of
 LOCATION OF FACILITY Salem, Harrison County
 PERMIT NUMBER WV0020257
 COMMERCIAL LABORATORY NAME
 COMMERCIAL LABORATORY ADDRESS
 INDIVIDUAL PERFORMING ANALYSES

RESULTS FOR MONTH(S) OF 19

Parameter	Quantity	Other Units			Measurement Frequency	Sample Type
		Minimum	Average	Maximum		
Phosphorus 78478	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	N/A	Monitor		
Calcium 00917	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	N/A	Monitor		
Organic Nitrogen 00000	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	N/A	Monitor		
Ammonia Nitrogen 82294	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	N/A	Monitor		
Total Nitrogen 78470	Reported	*****	*****	*****	1/6 Months	1 wk.comp
	Permit Limitation	*****	N/A	Monitor		
<p>Name of Principal Executive Officer</p> <p>I certify under penalty of law that this document and all attachments were prepared under my directions or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment for knowing violations.</p>						
<p>Date Completed</p>						
<p>Title of Officer</p> <p>Signature of Principal Executive Officer or Authorized Agent</p>						



DIVISION OF ENVIRONMENTAL PROTECTION
1201 Greenbrier Street
Charleston, WV 25311-1088

GASTON CAPERTON
GOVERNOR

DAVID C. CALLAGHAN
DIRECTOR

NOTICE TO PERMITTEES

The 1989 regular session of the West Virginia legislature revised the Water Pollution Control Act, Chapter 20, Article 5A of the West Virginia Code by adding Section 6a (Now, Chapter 22, Article 11, Section 10). This section of the Code requires all holders of a State water pollution control permit or a national pollutant discharge elimination system permit to be assessed an annual permit fee, based upon regulations promulgated by the Director of the Division of Natural Resources. The Director promulgated regulations to this effect and the current regulations have an effective date of July 1, 1993. The regulations establish an annual permit fee based upon the relative potential to degrade the waters of the State which, in most instances, relate to volume of discharge. However, for sewage facilities, the annual permit fee is based upon the number of customers served by the facility. You may contact the Secretary of State's Office, State Capitol Building, Charleston, West Virginia 25305, to obtain a copy of the regulations. The reference is Title 47, Legislative Rules of Department of Natural Resources, Series 26 Water Pollution Control Permit Fee Schedule.

Based upon the volume of discharge for which your facility is currently permitted or operating at, the number of customers served by your facility or for the category you fall within, pursuant to Section 7 of Title 47, Series 26, your annual permit fee is \$ 500. This fee is due no later than the anniversary date of permit issuance in each year of the term of the permit or in the case of coverage under a general permit, the fee is due no later than the anniversary date of your coverage under the general permit. You will be invoiced by this agency at the appropriate time for the fee. Failure to submit the annual fee within one hundred and eighty(180) days of the due date will render your permit void.

RIGHT OF APPEAL

Notice is hereby given of your right to appeal the terms and conditions of this permit which you are aggrieved by to the Environmental Quality Board by filing a NOTICE OF APPEAL on the form prescribed by the Board for this purpose, with the Board, in accordance with the provisions of Chapter 22, Article 11, Section 21 of the Code of West Virginia within thirty(30) days after the date of receipt of the above permit.

EMERGENCY RESPONSE SPILL ALERT SYSTEM
WEST VIRGINIA DIVISION OF NATURAL RESOURCES

REQUIREMENTS:

West Virginia Legislative Rules Series 3, Section 2, State Water Resources Board, effective July 1, 1987.

RESPONSIBILITY FOR REPORTING:

Each and every person who may cause or be responsible for any spill or accidental discharge of pollutants into the waters of the State shall give immediate notification to the Water Resources' Emergency Notification Number, 1-800-642-3074. Such notification shall set forth insofar as possible and as soon thereafter as practical the time and place of such spill or discharge, type or types and quantity or quantities of the material or materials therein, action or actions taken to stop such spill or discharge and to minimize the polluting effect thereof, the measure or measures taken or to be taken in order to prevent a recurrence of any such spill or discharge and such additional information as may be requested by Water Resources. This also applies to spills to the waters of the State resulting from accidents to common carriers by highway, rail and water.

It shall be the responsibility of each industrial establishment or other entity discharging directly to a stream to have available the following information pertaining to those substances that are employed or handled in its operation in sufficiently large amounts as to constitute a hazard in case of an accidental spill or discharge into a public stream:

- 1) Potential toxicity in water to man, animals and aquatic life;
- 2) Details on analytical procedures for the quantitative estimation of such substances in in water; and
- 3) Suggestions on safeguards or other precautionary measures to nullify the toxic effects of a substance once it has gotten into a stream.

Failure to furnish such information as required by Section 9, Article 5A, Chapter 20, Code of West Virginia shall be punishable under Section 19, Article 5A, Chapter 20, Code of West Virginia.

It shall be the responsibility of any person who causes or contributes in any way to the spill or accidental discharge of any pollutant or pollutants into State waters to immediately take any and all measures necessary to contain such spill or discharge. It shall further be the responsibility of such person to take any and all measures necessary to clean-up, remove, and otherwise render such spill or discharge harmless to the waters of the State.

When the Chief determines it necessary for the effective containment and abatement of spills and accidental discharges, the Chief may require the person or persons responsible for such spill or discharge to monitor affected waters in a manner prescribed by the Chief until the possibility of any adverse effect on the waters of the State no longer exists.

VOLUNTARY REPORTING BY LAW OFFICERS, U. S. COAST GUARD, LOCK MASTERS AND OTHERS:

In cases involving river and highway accidents where the responsible party may or may not be available to report the incident, law officers, U. S. Coast Guard, Lock Masters and other interested person should make the report.

WHO TO CONTACT: Notify the following number: 1-800-642-3074.

INFORMATION NEEDED: - Source of spill or discharge - Personnel at the scene
- Location of incident - Actions initiated
- Time of incident - Shipper/Manufacturer identification
- Material spilled or discharged - Railcar/Truck identification number
- Amount spilled or discharged - Container type
- Toxicity of material spilled or discharged

C

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UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated June 27, 19 95, between:

City of Salem

a public corporation organized and operating under Chapter 8, Article 19 of the

West Virginia Code

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of \$ 6,781,418 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 6,031,418 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 6,031,418 has been committed to and by Grantee for such project development costs

Grantor has agreed to grant the Grantee a sum not to exceed \$ 750,000 or 75% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed _____ percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

- A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.
- B. Permit periodic inspection of the construction by a representative of Grantor during construction.
- C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.
- E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges.

ordinance and approved by the Public Service Commission of West Virginia and

whether for one or more classes of service, adopted by ~~xxxxxx~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, 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 this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0074), Washington, D.C. 20503.

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F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FmHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to Grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay to the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).

The sewage collection and treatment system and all appurtenances thereto to the City of Salem and all lands and rights of way associated therewith.

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided such definition would at least include all tangible personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activities in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than \$1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisition cost of \$1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share \$100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

N/A

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

R. Agree to account for and to return to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of \$2,000 and in other contracts in excess of \$2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 750,000

which it will advance to Grantee to meet not to exceed 75% percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph 1 above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presence to be executed by its duly authorized

ized Mayor

and attested and its incorporated seal affixed by its duly authorized Recorder

ATTEST:

By M. Jane Zprung
Recorder
(Title)

By Thomas G. Mason
Mayor
(Title)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By R. Williamson, Jr. 6-27-
Rural Development Manager
(Title)

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STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

GASTON CAPERTON
GOVERNOR

November 19, 1991

The Honorable Donna Faye Stewart
Mayor
City of Salem
P.O. Box 352
Salem, WV 26426

Dear Mayor Stewart:

Thank you for your application to the Small Cities Block Grant program for fiscal year 1991.

I am pleased to approve a grant in the amount of \$750,000 to the city of Salem. These funds will enable you to construct the Salem sewer system improvements.

In order to most effectively use the limited dollars available, I hereby commit \$375,000 from our FY1991 allocation which will be immediately available to you. The remaining \$375,000 necessary to complete this project will be evaluated and committed in the coming fiscal year. I encourage you to expedite this project and reach its completion as quickly as possible with this funding strategy in mind. My Community Development staff will contact you to complete the necessary contracts in order to proceed with your project.

It is with pleasure that I am able to work with you to make this improvement a reality for the citizens of Salem.

Sincerely,

Gaston Caperton
Gaston Caperton
Governor

GC:bks

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STATE OF WEST VIRGINIA
DEPARTMENT OF COMMERCE, LABOR AND ENVIRONMENTAL RESOURCES
DIVISION OF NATURAL RESOURCES
WATER RESOURCES SECTION
1201 Greenbrier Street
Charleston, West Virginia, 25311
Telephone (304)348 2107

GASTON CAPERTON
Governor

J. EDWARD HAMRICK III
Director

June 26, 1991

Honorable Donna Faye Stewart
Mayor, City of Salem
P. O. Box 352
Salem, West Virginia 26426

RE: City of Salem
Design Advance
AC-540402-02

Dear Mayor Stewart:

We are pleased to inform you of our approval of the Design Advance Assistance application for the above referenced project. The total allowable construction costs of \$4,378,350 reflects an allowable grant of \$130,500.

Enclosed are three sets of the Advance Assistance Agreement. The original and one copy of each document should be signed and returned to Ms. Gale Burdette, Advance Assistance Officer, Management Branch, within 21 days of your receipt and a copy of each should be retained for your files.

Should you have any questions, please contact Carrie Grimm of my staff at (304) 348-0637.

Sincerely,

CONSTRUCTION ASSISTANCE

Mike Johnson, P. E.
Assistant Chief

MJ/cga

Enclosures

cc: Kananui Associates
Frederick G. Warren, EPA