

USDA RURAL DEVELOPMENT

LOAN AGREEMENT

TABLE OF CONTENTS

RECITALS

DEFINITIONS

ARTICLE I

TERMS OF THE LOANS AND DETAILS OF THE NOTES

Section 1.1 General

ARTICLE II

ENCUMBRANCE OF REAL AND PERSONAL PROPERTY

- Section 2.1 Mortgage of Real Property
- Section 2.2 Security Interest in Tangible Personal Property and Fixtures
- Section 2.3 Pledge of Specific Equipment
- Section 2.4 Assignments and Pledge of Sewer Revenues, Accounts, and Other Intangibles
- Section 2.5 Purpose of Pledge
- Section 2.6 Proceeds of Collateral
- Section 2.7 Relationship of Note, Mortgage, Loan Agreement and Loan Resolution

ARTICLE III

USE OF LOAN PROCEEDS

- Section 3.1 General
- Section 3.2 Costs of Project
 - 3.2.1. Acquisition and construction costs
 - 3.2.2. Obligations incurred for construction
 - 3.2.3. Taxes
 - 3.2.4. Interest on construction loan
 - 3.2.5. Fees for architects and engineers
 - 3.2.6. Miscellaneous other fees and charges

ARTICLE IV
REVENUES AND SPECIAL ACCOUNTS

- Section 4.1 Covenant to Fix Sufficient Rates and Charges
- Section 4.2 Enforcement of Charges
- Section 4.3 Annual Budget
 - 4.3.1. Preparation
 - 4.3.2. Failure to adopt
 - 4.3.3. Amendment
- Section 4.4 Construction Account
- Section 4.5 General Account
 - 4.5.1. Debt Service Account
 - 4.5.2. Reserve Accounts
 - 4.5.3. Renewal and Replacement Fund
 - 4.5.4. Excess Funds
 - 4.5.5. Bookkeeping Accounts

ARTICLE V
SECURITY FOR DEPOSITS AND INVESTMENTS OF ACCOUNTS

- Section 5.1 Security for Deposits
- Section 5.2 Investment of Funds and Accounts
- Section 5.3 Commingling

ARTICLE VI
PARTICULAR COVENANTS OF BORROWER

- Section 6.1 General
- Section 6.2 Payment of Note
- Section 6.3 Construction of Project
- Section 6.4 Operation and Maintenance
- Section 6.5 Competition
- Section 6.6 Sale or Encumbrance
- Section 6.7 Creation of Liens
- Section 6.8 Title of Lands
- Section 6.9 Insurance
 - 6.9.1. Fire and extended coverage
 - 6.9.2. Public liability
 - 6.9.3. Vehicular public liability
 - 6.9.4. Workmen's compensation
 - 6.9.5. Flood Insurance

- 6.9.6. Builder's risk
- 6.9.7. Miscellaneous
- Section 6.10 Fidelity Bonds
- Section 6.11 Records and Reports
- Section 6.12 Corporate Existence to be Maintained
- Section 6.13 Compliance with Laws

ARTICLE VII

SPECIAL COVENANTS IN FAVOR OF THE GOVERNMENT

- Section 7.1 General
- Section 7.2 Indemnification
- Section 7.3 Government Accounting Requirements
- Section 7.4 Government's Right of Access
- Section 7.5 Limitations on Further Borrowing
- Section 7.6 Limitations on Modification of Organic Corporate Documents
- Section 7.7 Facilities to be for Public Use
- Section 7.8 Refinancing
- Section 7.9 Further Instruments and Actions
- Section 7.10. Conflicts of Interest Prohibited
- Section 7.11. Nondiscrimination
- Section 7.12. Equal Employment Opportunity Under Construction
Contracts and Nondiscrimination
- Section 7.13. Dissolution of Non-profit Corporation

ARTICLE VIII

LOSS, DESTRUCTION, OR CONDEMNATION OF FACILITY

- Section 8.1 Damage or Destruction
 - 8.1.1. Government not obligated Loan payments not affected
Debtor's obligations
- Section 8.2 Application of Insurance Proceeds
- Section 8.3 Assignment of Insurance Moneys
- Section 8.4 Condemnation
 - 8.4.1. Government not obligated
 - 8.4.2. Loan Payments not affected
 - 8.4.3. Debtor's obligations
- Section 8.5 Application of Condemnation Award
- Section 8.6 Total Loss or Condemnation

ARTICLE IX
DEFAULTS AND REMEDIES

- Section 9.1 Event of Default Defined
 - 9.1.1. Nonpayment
 - 9.1.2. Delays in construction and acquisition
 - 9.1.3. Incapacity of debtor
 - 9.1.4. Failure to rebuild or restore after loss or condemnation
 - 9.1.5. Nonpayment of Judgments
 - 9.1.6. Appointment of receiver
 - 9.1.7. Bankruptcy
 - 9.1.8. False or misleading representations
 - 9.1.9. Other defaults
- Section 9.2 Remedies Upon Default
- Section 9.3 Delay and Waiver
- Section 9.4 Remedies Cumulative

ARTICLE X
REPRESENTATION AND WARRANTIES

- Section 10.1 General
- Section 10.2 Corporate Organization and Power
- Section 10.3 Liabilities
- Section 10.4 Litigation and Taxes
- Section 10.5 Compliance with Other Instruments
- Section 10.6 Governmental Authorization
- Section 10.7 Events of Default
- Section 10.8 Credit Elsewhere
- Section 10.9 Other Representations

ARTICLE XI
MISCELLANEOUS

- Section 11.1 Federal Criminal Laws
- Section 11.2 Contract with Government and Holder of Note
- Section 11.3 Authority of Officers and Agents
- Section 11.4 Successors and Assigns
- Section 11.5 Limitations on Notice
- Section 11.6 Amendments
- Section 11.7 Subsequent Loans

Section 11.8	Headings and Table of contents
Section 11.9	Severability
Section 11.10	Effective Date
Section 11.11	Counterparts
Section 11.12	Applicable Laws
Section 11.13	Forms

ARTICLE XII

CONSTRUCTION

Section 12.1	General
Section 12.2	Plans and Specifications
Section 12.3	Disbursement of Other Funds
Section 12.4	Multiple Advances, Generally
Section 12.5	Requesting Multiple Advances
Section 12.6	Payment for Construction, Requisitions
Section 12.7	Delegation of Authority to Approve and Execute Forms Required Under Section 12.5 and 12.6
Section 12.8	Funds Remaining After Construction is Completed
Section 12.9	Resident Inspection
Section 12.10	Effect of Event of Default on Further Advances

LOAN AGREEMENT

RECITALS

Alpine Lake Public Utilities Company is a non-profit corporation organized and existing under the laws of the State of West Virginia (the "Borrower"). The Borrower has determined that it is necessary and desirable to borrow money from Rural Development of the U.S. Department of Agriculture in order to finance a project duly authorized by resolutions of Borrower's governing body.

NOW, THEREFORE, in consideration of the loan being extended to it by the Government (as hereinafter defined), the Borrower hereby agrees to the following:

DEFINITIONS

The terms defined in this part shall have the following meanings when used in this Loan Agreement unless a different meaning clearly appears from the context.

"Annual Budget" means the budget which the borrower is obliged to establish each year under Section 4.3 of this Loan Agreement.

"Board" means the Borrower's governing body which is its board of directors.

"Borrower" means Alpine Lake Public Utilities Company being a non-profit corporation organized and existing under the laws of the State of West Virginia for the purpose of operating a sewer treatment and distribution facility, and includes its successors and assigns.

"Construction" means construction, reconstruction, acquisition, equipment, installation and renovation.

"Construction Account" means the bank account required to be established under Paragraph A of Section 4 of the Loan Resolution.

"Costs of Project" means the costs described in Section 3.2 of this Loan Agreement.

"Encumbered Property" means the property and rights in property, real or personal, at any time mortgaged or pledged by the Borrower to the Government, either under this Loan Agreement, the Loan Resolution, or the Mortgage as security for the performance of the Borrower's obligations under the Loan Instruments.

"Equipment" means the equipment pledged under Article Two of this Loan Agreement as security for the performance of the Borrower's obligations under the Loan Instruments, as more fully described on the Financing Statement.

"Event of Default" means any of the events described in Section 9.1 of this Loan Agreement.

"Facility" means the existing complete sewer system improvement project of the Borrower, together with any future improvements thereto, and where a location or site of operations contains or includes more than one building, unit, plant, installation or structure, the entire location, including all personal property and fixtures located thereat, shall be deemed to be the Facility.

"Financing Statements" means one or more financing statements as defined in the Uniform Commercial Code of the State of West Virginia. It also includes all future continuation statements and financing statements supplemental thereto.

"General Account" means the account required to be established by Section 4(b) of the Loan Resolution.

"Government" means the United States of America, acting through the Rural Development, U.S. Department of Agriculture.

"Loans" means the loan by the Government to the Borrower in the amount of \$3,500,000, represented by the Series 2008 A Note, pursuant to the provisions of the Consolidated Farm and Rural Development Act, and any subsequent loans to the Borrower by the Government.

"Loan Agreement" means this Agreement being executed and delivered by the Borrower to the Government as a security agreement under the Uniform Commercial Code to secure, in part, the performance of the Borrower's obligations under the Loan Instruments, and also includes future loan agreements amendatory thereof or supplemental thereto.

"Loan Instruments" collectively means the Loan Agreement, the Loan Resolution, the Mortgage, the Financing Statement, and the Notes, including future amendments thereof or supplements thereto.

"Loan Repayment" means 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 equally amortized monthly installments, at an interest rate of 4.25%, which provides for a monthly payment of \$15,505.00. Borrower has the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process, which allows for the payment to be electronically debited from Borrower's account on the day payment is due. Borrower must establish and fund monthly a debt service reserve account, which equals 10% of the monthly payment each month until Borrower has accumulated the equivalent of one annual installment on the loan.

"Loan Resolution" means the resolution of the Board adopted on RUS Bulletin 1780-28 on January 8, 2008, authorizing the construction of the Project, the acceptance of the Loans, and the making of promissory notes, security instruments and pledges of revenue to evidence and secure the Borrower's obligation to repay the Loans, and executed and delivered by the Borrower to the Government as a security agreement under the Uniform Commercial Code. The term also includes any future resolutions modifying, amending, or supplementing the Loan Resolution other than the Supplemental Resolution.

"Mortgage" means the Credit Line Deed of Trust, Fixture Filing, and Security Agreement by the Borrower dated January 10, 2008, securing, among other things, the payments required under the Notes, being in the form required by the Government and also being in substantially the form approved by the Loan Resolution.

"Note" means the Borrower's Series 2008 A Note executed and delivered to the Government on Form RD 440-22 in the aggregate principal amount of \$3,500,000, dated January 10, 2008, and payable in equal monthly installments of principal and interest with a final maturity date approximately 40 years from the date hereof.

"Plans and Specifications" means the plans and specifications, including drawings, prepared for the Project by Greenhorne & O'Mara, Inc., consulting engineers, together with supporting documentation, as the same may be implemented and detailed from time to time and as the same may be revised from time to time, with the approval of the Government, prior to the completion of the Project.

"Project" means the Construction of certain additions and improvements to the Borrower's existing Sewer System in Preston County, West Virginia: the construction of a new 150,000-gallon per day wastewater treatment plant with a 150,000-gallon flow equalization basin, upgrades or replacement of the Borrower's

six (6) existing sewage pumping stations, and construction of a new office facility to serve administrative and billing staff, as well as field crew facilities and other "unspecified" appurtenances, to be constructed in accordance with the Plans and Specifications prepared by the consulting engineers.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund required to be established under Section 4(e) of the Loan Resolution

"Reserve Accounts" means the Series 2008 A Note Reserve Account required to be established under Section 4(d) of the Loan Resolution.

"Security Agreement" collectively means the Mortgage to the extent that it encumbers personal property and fixtures; the Loan Resolution to the extent that it pledges all of the Borrower's revenues, contract rights, accounts receivable, and general intangibles arising in connection with the Facility; and this Loan Agreement.

"Series 2008 A Note" means the Series 2008 A Note on Form 440-22, dated the date hereof, executed by Borrower and made payable to the order of the Government, in the original aggregate principal amount of \$3,500,000.

ARTICLE I

TERMS OF THE LOANS AND DETAILS OF THE NOTES

Section 1.1. General:

Concurrently with the execution and delivery of this Loan Agreement, the Borrower's President, Treasurer, and Secretary shall execute and deliver the Borrower's Series 2008 A Note on Form RD 440-22:

A. The Series 2008 A Note shall be in the aggregate principal amount of \$3,500,000, shall be dated the date of its delivery and shall bear interest from the date of delivery at the rate of 4.25% per annum on the unpaid principal balance. Interest only shall be payable monthly on the Note commencing 28 days following delivery thereof and continuing on the same day of the month thereafter for 24 consecutive months. Thereafter, \$15,505, covering principal and interest shall be paid on the corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of the Series 2008 A Note.

Payment on the Note shall be applied first to interest and then to principal and they shall continue unabated until the final payment of the entire indebtedness which, if not paid sooner, shall be due and payable 40 years from the date of delivery of the Note. However, prepayment is mandatory under certain conditions as set forth in the Loan Resolution.

ARTICLE II

ENCUMBRANCE OF REAL AND PERSONAL PROPERTY

Section 2.1. Mortgage of Real Property:

Contemporaneously with the execution and delivery of this Loan Agreement, the President and Secretary shall execute and deliver the Mortgage in substantially the form approved by the Loan Resolution.

Section 2.2. Security Interest in Tangible Personal Property and Fixtures:

The pledge of personal property and fixtures contained in the Mortgage is hereby incorporated by reference as an integral part of this Loan Agreement as if fully set forth herein. In addition, all of Borrower's supplies, furniture, fixtures, equipment, machinery, motor vehicles, and all other tangible assets of every nature or description, including additions, substitutions, and replacements, are hereby pledged and set aside and a security interest is granted by the Borrower therein in favor of the Government and any uninsured holder of the Note.

Section 2.3. Pledge of Specific Equipment:

Without limiting the generality of the preceding Section 2.2 or the generality of the description of Encumbered Property contained in the Mortgage, any specific items or types of Equipment listed on the Financing Statement, including any additions, substitutions or replacements therefor, are specifically pledged as security to the Government and any uninsured holder of the Note.

Section 2.4. Assignment and Pledge of Sewer Revenues, Accounts and Other Intangibles:

The Loans, together with interest, shall be repaid in the first instance from the gross income and revenues of Borrower derived from or in any way related to the Facility. By execution of the Loan Resolution and this Loan Agreement, such income and revenues are assigned, pledged, and set aside in favor of the Government and any uninsured holder of the Note. Notwithstanding that this Loan Agreement is a present assignment of income and revenues, it is understood and agreed that the Borrower has permission to collect the same and manage the Facility the same as if this assignment had not been given, and only so long as Borrower does not suffer or permit an Event of Default under any of the Loan Instruments--but this permission terminates automatically on the occurrence of an Event of Default. In addition, all gross receipts, gifts, pledges, contract rights, accounts and general intangibles of

Borrower in any way relating or useful to the Facility are hereby pledged as further security.

Section 2.5 Purpose of Pledge:

The pledge of collateral under Sections 2.2, 2.3 and 2.4 of this Loan Agreement shall secure (i) payment of the Series 2008 A Note, together with interest thereon, in accordance with their terms, including any extensions or renewals thereof, whenever the Note is held by either the Government or by an uninsured holder; (ii) repayment, with interest, of any payments, advances and expenditures made by the Government pursuant to the terms of this or any other Loan Instrument; (iii) performance of every covenant and agreement of the Borrower's contained in this or any other Loan Instrument; and (iv) all future advances, whether obligatory, protective, or voluntary, made to the Borrower by the Government from time to time.

Section 2.6 Proceeds of Collateral:

The pledge of collateral under Section 2.2, 2.3, and 2.4 of this Loan Agreement shall also include the proceeds thereof; however, disposition of Encumbered Property is not authorized by this Article.

Section 2.7 Relationship of Notes, Mortgage, Loan Agreement, and Loan Resolution:

The Note, Mortgage, Loan Agreement and Loan Resolution, including any amendments, modifications, replacements and supplements, are collectively referred to as the "Loan Instruments." In case of any discrepancies or inconsistencies among the Loan Instruments, the Note shall control the Mortgage; the Mortgage shall control the Loan Agreement; and the Loan Agreement shall control the Loan Resolution. For purposes of the Uniform Commercial Code, this Loan Agreement, the Loan Resolution and the Mortgage collectively constitute one security agreement between the Government and the Borrower.

ARTICLE III

USE OF LOAN PROCEEDS

Section 3.1. General:

The proceeds of the Loan, together with all other funds received by Borrower at any time from any source for the Construction of the Project, shall only be used to finance the costs of Construction of the Project and such moneys shall be-subject to the provisions and restrictions set forth in this Article.

Section 3.2. Costs of Project:

For the purposes of this Loan Agreement, the Costs of the Project shall include, without intending to limit or restrict any proper definition of such costs under any applicable Government regulations, laws or sound accounting practices, the following:

- 3.2.1. Construction of the Project, including land, easements, and other interests in land or improvements thereon.
- 3.2.2. Obligations incurred for labor, materials, machinery, and equipment as payable to contractors, builders, and materialmen in connection with the Construction of any part of the Project.
- 3.2.3. Taxes and other governmental charges levied or assessed upon the Project during Construction, or any property acquired therefor, the premiums on insurance, if any, in connection with the Project during Construction.
- 3.2.4. Interest on the construction loan(s) during the construction of the Project, as the same becomes due, but in no event shall the proceeds of the Loan be used to pay more than three years interest thereon after its delivery.
- 3.2.5. Fees and expenses of architects and engineers for estimates, surveys, and other preliminary investigations, preparation of Plans and Specifications, and supervision of Construction; as well as for the performance of all other duties of architects and engineers in relation to the Construction of the Project.
- 3.2.6. Expenses of administration, supervision, and inspection properly chargeable to the Project, legal expenses and fees, financing charges,

costs of audits, costs of preparing, issuing and selling the Note, abstracts and reports on titles to real estate, and all other items of expenses not specified elsewhere in this section incident to the acquisition, construction, financing, and placing of the Project in operation, including, without limitation, initial operating expenses of the Project for a period not to exceed one year.

ARTICLE IV

REVENUES AND SPECIAL ACCOUNTS

Section 4.1. Covenant to Fix Sufficient Rates and Charges:

Borrower covenants that so long as any portion of the Note remains unpaid, Borrower will fix, charge and collect such rates, fees, rents and other charges for the use of the Facility and its services, subject to the approval of the WV Public Service Commission, as are necessary to produce in each fiscal year an amount which, when added to any other sources of revenue made available to Borrower for use in connection with the Facility, will be equal to the aggregate amount required to pay all operating expenses which shall accrue or become payable during the then current fiscal year and the amounts required by Section 4.5 hereof to be paid during the then current fiscal year into the various funds and accounts established in connection with the Note.

Section 4.2. Enforcement of Charges:

So long as any portion of the Note remains unpaid, Borrower shall enforce all rates, fees, rents, or charges for the use of and for the services furnished by the Facility as the same shall become due and payable.

Section 4.3. Annual Budget:

Borrower covenants that prior to the end of each fiscal year it will adopt an Annual Budget for the ensuing fiscal year.

- 4.3.1. The Annual Budget shall show in reasonable detail the growth of revenues estimated to be derived from, and the operating expenses estimated to be incurred in connection with, the ownership and operation of the Facility during the ensuing fiscal year as well as any planned capital additions. No expenditures for operating expenses of the Facility shall be made in any fiscal year in excess of the amount provided therefor in the Annual Budget, as it may be amended from time to time, without the consent of the Government. A copy of the Annual Budget shall be mailed to the Government and also to any uninsured holder of the Note who may so request. In addition to the foregoing, Borrower will submit to the Government additional financial and managerial information as may be required under published regulations of the Rural Development as they may be amended from time to time.

- 4.3.2. If any Annual Budget has not been adopted within the time required by subsection 4.3.1. above, the last previously adopted Annual Budget shall be deemed to provide for, regulate, and control expenditures until the Annual Budget for the ensuing fiscal year is adopted.
- 4.3.3. Borrower may at any time prior to or during a fiscal year amend its Annual Budget. Copies of all amendments shall be mailed to the Government, and to any uninsured holder of the Note who so request, whenever they aggregate 5% or more of the Annual Budget for operating expenses. Thereafter, any subsequent amendments aggregating 5% or more shall be mailed to the Government and to any uninsured holder of the Note who may so request.

Section 4.4. Construction Account:

In the event that Construction of the Project has not been completed by the date of this instrument, then any Loan proceeds not disbursed contemporaneously with Loan closing shall be deposited in the Construction Account in accordance with Section 4 of the Loan Resolution; provided, however, the Construction Account need not be a supervised bank account unless the Government, in its discretion, so requests.

Section 4.5. General Account

As soon as the Facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Accounts, and transfers to Renewal and Replacement Fund. Monies deposited in the General Account shall be used only in the manner and order as follows:

- (1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Accounts and Renewal and Replacement Fund in accordance with Sections 4.5.2 and 4.5.3 below. An amount equal to 1/6 of the budgeted monthly operating expenses of the Organization shall be retained in the General Account each month as working capital.

- (2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with Section 4.5.1 below, (ii) Transfers to the Reserve Accounts will be made in accordance with Section 4.5.2 below, and (iii) transfers to the Renewal and Replacement Fund will be made in accordance with Section 4.5.3 below.
- 4.5.1. Debt Service Account. For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the Note.
- 4.5.2. Reserve Accounts. From the remaining funds in the General Account, after transfers and payments required in Section 4.5(1) or (2) and Section 4.5.1, there shall be set aside into accounts designated as the Series 2008 A Note Reserve Account the sum of 10% of the monthly payment amount each month to be used to pay debt service on the Note when funds are not otherwise available therefore and for emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.
- 4.5.3. Renewal and Replacement Fund. From the remaining funds in the General Account, there shall be set aside into an account designated as the Renewal and Replacement Fund the sum of 2 1/2% of the gross revenues each month. Such funds may be used to make debt service payments, replace funds withdrawn from the Reserve Account, and for replacements, repairs, improvements or extensions to the System.
- 4.5.4. Whenever there shall accumulate in the General Account amounts in excess of those required in subsections 4.5(1) and (2), 4.5.1, 4.5.2, and 4.5.3, such excess will be used by the organization to make prepayments on the Loan or retained in the General Account.
- 4.5.5. The accounts required in subsections 4.5(1) and (2), 4.5.1, 4.5.2, and 4.5.3 may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Borrower, unless otherwise directed by the Government.

ARTICLE V

SECURITY FOR DEPOSITS AND INVESTMENTS OF ACCOUNTS

Section 5.1. Security for Deposits:

The Treasurer of Borrower shall be the custodian of all funds of Borrower and all funds shall be deposited in a bank or trust company which is a member of the Federal Deposit Insurance Corporation (FDIC) and is located in the same state as the Project. Any accounts not secured by the Federal Deposit Insurance Corporation or invested as provided in Sections 5.2 or 5.3, shall be secured by government obligations for the benefit of Borrower, the Government, and any uninsured holder of the Note.

Section 5.2. Investment of Funds and Accounts:

Moneys on deposit to the credit of the General Account or Renewal and Replacement Fund may be retained uninvested as trust funds and shall be either deposited (but only after security be given) by the Treasurer in interest-bearing deposit accounts (which may be represented by certificates of deposit) in one or more national or state banks having a combined capital and surplus of not less than \$2,000,000, or invested by the Treasurer in direct obligations of or obligations guaranteed by the United States of America. Investments and certificates of deposit shall mature in such amounts and on such dates as may be necessary to provide moneys to meet the payments required under this Loan Agreement. Moneys on deposit with the West Virginia Municipal Bond Commission in the Series 2008 A Notes Reserve Account shall be invested by said Commission in the West Virginia Consolidated Fund. Investments purchased with moneys of a particular account shall be considered a part of that account and income thereon and any profit (or loss) on the sale thereof shall be credited to (or charged against) the account.

Section 5.3. Commingling:

The moneys in the Construction Account, the General Account, and the Renewal and Replacement Fund shall not be commingled with each other or with any other moneys of Borrower not subject to the lien of this instrument, nor shall any such moneys be commingled with moneys of any other corporation, firm, association, entity, or individual.

ARTICLE VI

PARTICULAR COVENANTS OF BORROWER

Section 6.1. General:

Borrower hereby particularly covenants and agrees with the Government and uninsured holder of the Notes that the provisions set forth in the following sections of this Article shall become a part of the contract with the Government and any uninsured holder of the Notes.

Section 6.2. Payment of Note:

Borrower shall pay the principal of and interest on the Note in accordance with their respective terms.

Section 6.3. Construction of Project:

Borrower, if it has not done so already, shall obtain all approvals, permits, and consents required by law as a condition precedent to the construction, development, and/or operation of all parts of the Facility and shall complete the Construction of the Project in a sound and economical manner in conformity with the Plans and Specifications approved by the Government. Plan and Specifications may not be revised or deviated from in any significant way without first obtaining the Government's prior written consent. Borrower shall construct the Project in conformity with all applicable requirements of governmental authorities and do all acts and all things necessary and reasonable in order that it may begin to collect revenues from the Project at the earliest practicable time.

Section 6.4. Operation and Maintenance:

Borrower shall establish and enforce reasonable rules and regulations governing the use and services of the Facility; maintain and operate the Facility in an efficient and economical manner and pursuant to the Annual Budget; maintain the Facility in good repair and sound operating condition; and make all necessary repairs, replacements, and renewals. Borrower shall not change the primary usage or character of the Facility from that set forth in its Loan application without the prior written consent of the Government. All compensation, salaries, fees and wages paid by Borrower in connection with the operation, maintenance, and use of the Facility shall be reasonable. Borrower shall comply with all valid acts, rules, regulations, licenses, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the Facility or Borrower including, without limitation,

any requirements of any third party payers which may affect Borrower's qualifications or rights to receive payments from such entities.

Section 6.5. Competition:

Borrower shall not operate or consent to the operation of any service in competition with the Facility.

Section 6.6. Sale or Encumbrance:

Neither the Facility, nor any nonexpendable part thereof, shall be sold, leased, encumbered, or otherwise disposed of unless the payment received therefore by the Borrower shall be sufficient to repay the Note in full. Provided further, however, that Borrower may sell or otherwise dispose of any property constituting a part of the Facility that is no longer needed or useable, but any proceeds not used to replace property sold or otherwise disposed of shall be deposited in the Reserve Accounts. Alternatively, the proceeds may be used by Borrower to prepay a portion of the Note to the extent the balance maintained in the Reserve Accounts equals that which is required by this Agreement. Notwithstanding the above, for so long as the Note is held or insured by the Government, any sale, lease, encumbrance, or other disposition of the Facility or any nonexpendable part hereof, must be first consented to in writing by an authorized representative of the Government.

Section 6.7. Creation of Liens:

Borrower shall not create or allow any lien or charge upon the Facility or any part hereof or any lien or charge upon the revenues or other assets pledged herein ranking equally with or prior to the lien or charge of the Loan Instruments. Borrower shall pay or cause to be discharged materials, or supplies within sixty days after the same shall accrue and governmental charges when the same become due. Nothing contained in this section shall require Borrower to pay, discharge or make provisions for any lien or charge so long as the validity thereof shall be contested in good faith by appropriate legal proceedings which are diligently prosecuted. Borrower may incur parity debt after first obtaining the prior written consent of the Government.

Section 6.8. Title to Lands:

Borrower shall make no contract requiring payment for labor or to contractors, builders, or materialmen on account of the Construction of any part of the Facility unless that part is located on lands to which title in fee simple or over which perpetual easement, in either case sufficient for the purposes of the Facility, has been acquired by Borrower.

Section 6.9. Insurance: Borrower shall maintain insurance as follows:

- 6.9.1. (Fire and Extended Coverage) Borrower shall keep insured under standard fire and extended coverage insurance policies all insurable portions of the Facility against loss of fire, tornado, wind storm, or other casualty to such extent as may be necessary to provide for a full recovery of 100% of the full insurable value of the property damaged or one and one-half times the outstanding principal balance of the Note, whichever is less. All proceeds of insurance shall be applied promptly to the repair or replacement of the property damaged or destroyed or towards prepayment of the Notes. Policies shall, to the extent available at a reasonable premium, provide insurance for loss of Facility income resulting from any insurable property loss to the Facility.
- 6.9.2. (Public Liability) Borrower shall carry public liability insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System. Such insurance is to be procured not later than the date of delivery of the Notes.
- 6.9.3. (Vehicular Public Liability) If Borrower at any time owns or operates any vehicles in connection with the operation of the Facility, it shall carry vehicular public liability insurance with limits of not less than \$300,000.00 for one person and \$500,000.00 for more than one person involved in one accident to protect the Borrower from claims for bodily injury and/or death, and not less than \$200,000.00 to protect Borrower against claims for damage to property of others which may arise from the ownership or operation of vehicles.
- 6.9.4. (Workmen's Compensation) Borrower shall carry such workmen's compensation insurance as is required by applicable state law.
- 6.9.5. (Flood Insurance) Flood insurance is to be procured, to the extent available at reasonable cost to the Borrower; however, if the Facility is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.
- 6.9.6. (Builder's Risk) In the event that Construction is to be undertaken at the Facility, then Borrower shall see that any construction

contractors for the Facility carry "all risk" type builder's risk insurance in an amount not less than the contract price totaled in the bid for work performed. The policy shall cover not less than the losses due to fire, explosion, hail, lightning, vandalism, malicious mischief, wind, collapse, riot, aircraft, and smoke during the contract time and until the work is accepted by Borrower. The policy shall name as the insured at least the contractor and Borrower.

- 6.9.7. (Miscellaneous) All policies of insurance shall be accompanied by receipts showing payment of premiums in full and shall be deposited in the office of Borrower maintained in the state in which the Facility is located. In addition, certificates of insurance and copies of such policies shall be furnished to the Government. Notwithstanding the foregoing, all policies of insurance required by subsection 6.9.1 shall contain a standard mortgagee's interest endorsement clause in form and substance satisfactory to the Government, and, if the Government so requests, the originals of those policies and endorsements required by subsection 6.9.1 shall be delivered to it for safekeeping.

Section 6.10. Fidelity Bonds:

Borrower shall carry fidelity bonds on all of its officers and employees who may handle funds appertaining to the Facility. During construction of the Project, any individual's bond shall be in an amount not less than \$300,000. Following completion of construction, such fidelity bonds shall be in an amount at least equal to one annual installment on the Notes. All bonds shall be executed with a surety company approved by the Government. The "United States of America, acting through the Rural Utilities Service, United States Department of Agriculture" shall be named as co-obligee on all bonds so long as the Government is the holder or insurer of the Notes. Bonds shall not be reduced or terminated without the prior written consent of the Government.

Section 6.11. Records and Reports:

Borrower shall keep proper books of records and accounts, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the Facility. The Government and any uninsured holder of the Note shall have the right at all reasonable times to inspect the Facility and also to inspect and copy all records, accounts, and data relating thereto. Borrower shall also cause an annual audit of its books and accounts to be made by an independent certified public accountant at the end of each fiscal year. No later than ninety days after the end of each fiscal year, certified copies of the annual audit report, and auditor's opinion, reflecting in reasonable detail the financial condition and record of

operation of the Facility, including specifically the rates charged, the number of persons served, and the fees collected for new accounts, shall be filed in the office of Borrower and shall be mailed to the Government without request or to any uninsured holder of the Note who so requests.

Section 6.12. Corporate Existence to be Maintained:

Borrower will not cause or permit any voluntary dissolution of its organization or consolidate with any other organization without obtaining prior written consent of the Government and of any uninsured holder of the Note.

Section 6.13. Compliance with Laws:

The Borrower will comply with all applicable statutes, regulations, orders and restrictions of the United States of America, the state in which the Facility is located, municipalities of such state, and agencies and instrumentality's of the foregoing, with respect to the conduct of its operations and activities and the ownership of its Facility, except such as are being contested in good faith.

ARTICLE VII

SPECIAL COVENANTS IN FAVOR OF THE GOVERNMENT

Section 7.1. General:

For so long as the Government is the holder or insurer of the Notes, Borrower makes the covenants set forth in the following sections of this Article as additional covenants in favor of the Government.

Section 7.2. Indemnification:

Borrower will indemnify the Government for any payments made or losses suffered by the Government involving the Facility.

Section 7.3. Government Accounting Requirements:

Borrower will establish and maintain books and records relating to the operation of the Facility and its financial affairs. All accounting will be on the accrual method. Borrower will provide for the annual audit of all books and records as required by the Government, and provide the Government, without request, a copy of each audit. Borrower will also make and forward to the Government additional information and reports, as the Government may from time to time reasonably require, including all reports and information required under published regulations of the Rural Development as they may be amended from time to time.

Section 7.4. Government's Right to Access:

Borrower will provide the Government, at all reasonable times, access to all books and records relating to the Facility and or its operations in general. Borrower will also provide access to the Facility itself so that the Government may ascertain whether Borrower is complying with the provisions of all Loan Instruments.

Section 7.5. Limitations on Further Borrowing :

Borrower will not borrow any money from any source for any reason or enter into any contract, agreement, or lease, or incur any other liability in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

Section 7.6. Limitations on Modification of Organic Corporate Documents:

Borrower will not modify or amend its Articles of Incorporation or By-laws without the prior written consent of the Government.

Section 7.7. Facilities to be for Public Use:

Borrower will serve any applicant within its service area who desires service and can be feasibly and legally served, and will obtain the concurrence of the Government prior to refusing service to any applicant who can be feasibly and legally served.

Section 7.8. Refinancing:

If at any time it shall appear to the Government that Borrower is able to refinance the amount of indebtedness then outstanding on the Notes, in whole or in part, by obtaining a loan for that purpose from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon request of the Government, apply for and accept a loan in sufficient amount to repay the Government and will take all action as may be required in connection with the loan.

Section 7.9. Further Instruments and Actions:

Borrower covenants that it will from time to time (i) adopt resolutions and by-laws, (ii) execute and deliver further instruments and (iii) take further actions as may be necessary or appropriate to carry out the obligations of Borrower under the Loan Instruments.

Section 7.10. Conflicts of Interest Prohibited:

No director, officer, agent, or employee of Borrower shall directly or indirectly, have any financial interest in any property to be included in, or any contract for property, materials, equipment, or services to be furnished or used in connection with the Construction or operation of the Facility. Notwithstanding the foregoing, whenever the Board determines that it is in the best interest of the Borrower to contract with any interested director, officer, agent, or employee, and that person (i) has previously fully disclosed the nature of his or her interest to the Board, (ii) has refrained from deliberation and voting on the matter, and (iii) has not been counted towards a quorum at any meeting at which the contract was deliberated, then, and only then, the Board may approve that contract; provided, however, that any approval shall be contingent upon the receipt of written approval by the Government. Any request for Government approval shall be accompanied by (i) full disclosure in writing of the pertinent facts and circumstances surrounding the

contract, and (ii) certified copies of the Borrower's corporate proceedings showing full compliance with the provisions of this section.

Section 7.11. Nondiscrimination:

Borrower will not discriminate, or permit discrimination, in the use or occupancy of the Facility because of race, color, creed, sex or national origin.

Section 7.12. Equal Employment Opportunity Under Construction Contracts and Nondiscrimination:

Borrower shall fully comply with all of the provisions of Form RD 400-1, "Equal Opportunity Agreement," and Form RD 400-4, "Assurance Agreement," which have been or shall be executed on its behalf by its President and its Secretary. The provisions of these Agreements are hereby incorporated herein by reference as if fully set forth in this Loan Agreement.

Section 7.13. Dissolution of Non-Profit Corporation:

In the event that the Borrower has been organized as a non-profit corporation and subsequently is dissolved or ceases to carry out the objectives or purposes set forth in its organizational papers as they are in effect on the date of this Loan Agreement, then all business, property and assets of the Borrower shall go and be distributed to one or more non-profit corporations or public bodies as may be selected by the Board and approved by at Least 75% of the Borrower's members to be used for, and devoted to, the purpose of a sewer treatment and distribution facility or other purpose to serve the public welfare of the community. In no event shall any of the assets or property, in the event of dissolution of the Borrower go or be distributed to members, directors, stockholders, or others having financial or managerial interests in the Borrower, either for the reimbursement of any sum subscribed, donated, or contributed by such persons or for any other purposes. However, nothing in this section shall prohibit the Borrower from paying its just debts.

ARTICLE VIII

LOSS. DESTRUCTION, OR CONDEMNATION OF FACILITY

Section 8.1. Damage or Destruction:

If the Facility shall be damaged or destroyed (in whole or in part) at any time while all or any portion of the principal of and interest on the Notes remains unpaid:

- 8.1.1. The Government shall have no obligation to loan Borrower money to replace, repair, rebuild, or restore the Facility.
- 8.1.2. Notes (whether or not the Facility is replaced, repaired, rebuilt, or restored).
- 8.1.3. Borrower shall promptly replace, repair, rebuild, or restore the Facility to substantially the same condition and value as an operating entity as existed prior to the loss, with any changes, alterations, and modifications as may, in the opinion of Borrower be necessary or desirable under the circumstances; provided, however, that the nature of the Facility shall not be changed without the Government's prior written consent.

Section 8.2. Application of Insurance Proceeds:

Borrower shall apply to the replacement, repair, rebuilding, and restoration of the Facility as much as may be necessary of any proceeds of insurance resulting from claims for losses. The Government, at its option, may direct that a supervised bank account, of the type described in Section 4 of the Loan Resolution be opened and the insurance proceeds be deposited therein for disbursement in accordance with the provisions of this Section and Section 4. Notwithstanding the foregoing, any insurance proceeds representing lost income may be deposited in the General Account in accordance with the provisions of Article IV of this Loan Agreement. In any event, if insurance proceeds are not sufficient to pay in full the costs of replacement, repair, rebuilding, or restoration, Borrower shall nonetheless complete the work and pay from its own resources that portion of the costs in excess of insurance proceeds. Any balance of insurance proceeds remaining after payment of all of the costs of replacement, repair, rebuilding, or restoration shall be used by Borrower to prepay the Note in whole or in part.

Section 8.3. Assignment of Insurance Moneys:

Borrower hereby assigns to the Government as holder or insurer of the Note any moneys (but not in excess of the unpaid balance due under the Loan Instruments) which may become due and payable under any insurance, including the return of unearned premiums, and directs any insurance company to make payment directly to the Government. Notwithstanding anything to the contrary contained in the preceding Section 8.2, the Government in its sole and absolute discretion may release some or all of such proceeds to the Borrower for application in accordance with Section 8.2, or the Government may elect to apply some or all of such proceeds as a prepayment on the Note. Borrower hereby appoints the State Director of the Rural Development having jurisdiction over the Project, and his successors in office, as attorney-in-fact to endorse any draft. After default by Borrower or in accordance with written authorization of Borrower, the Government may, upon giving any notice required by law; cancel Borrower's insurance and credit any premium refund against the outstanding balance on Borrower's account. Regardless of whether the Government chooses to avail itself of the assignment and power-of-attorney conferred by this Section, the Borrower's obligations under the Loan Instruments shall be satisfied and discharged only to the extent that the insurance proceeds or premium refunds are actually received by the Government for application towards payment of the Borrower's Loan account. The Government shall incur no liability to the Borrower by operation of this section.

Section 8.4. Condemnation:

If the Facility shall be condemned (in whole or in part) at any time while all or any portion of the principal of or interest on the Note remains unpaid:

- 8.4.1. The Government shall have no obligation to loan Borrower money to replace, repair, rebuild, or restore the Facility.
- 8.4.2. There shall be no abatement or reduction in the amount payable by Borrower under the terms of the Note (whether or not the Facility is replaced, repaired, rebuilt, or restored).
- 8.4.3. Borrower shall, if practicable, promptly replace, repair, rebuild, or restore the Facility to substantially the same condition and value as an operating entity as it existed prior to condemnation, with any changes, alterations, and modifications as may, in the opinion of Borrower, be necessary or desirable under the circumstances; provided, however, that the nature of the Facility shall not be changed without the Government's prior written consent.

Section 8.5. Application of Condemnation Award:

Borrower shall apply to the replacement, repair, rebuilding, or restoration of the Facility so much as may be necessary of any proceeds of any condemnation award resulting from the taking of any portion of the Facility. The Government, at its option, may direct that the proceeds of any condemnation award shall be deposited in a supervised bank account of the type described in Section 4 of the Loan Resolution and applied in accordance with the provisions of this Section and Section 4. In the event that a condemnation award is not sufficient to pay in full the costs of replacement, repair, rebuilding, or restoration, Borrower shall nonetheless complete the work and pay from its own moneys that portion of the cost in excess of any condemnation award. Any balance of any condemnation award remaining after payment of all the costs of replacement, repair, rebuilding, or restoration shall be used by Borrower to prepay the Note in whole or in part. Provided, however, that the Government in its sole and absolute discretion may direct that all or a portion of such award be applied as a prepayment on the Notes.

Section 8.6. Total Loss or Condemnation:

Notwithstanding the foregoing, in the event that the Facility is condemned, damaged, or destroyed to such an extent or in such a fashion that, in the opinion of the Government, repair, replacement, rebuilding or restoration of the Facility is impracticable or undesirable, then Borrower shall deposit the proceeds of any insurance or condemnation award into the Reserve Accounts, together with any amount necessary to make the balance in the Reserve Account equal the principal of and accrued interest on the Notes then outstanding. After making the deposits, Borrower shall exercise its right to prepay the Notes, thereby causing its financial obligations under the Loan Instruments to be discharged.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.1. Event of Default Defined:

Each of the following events is hereby declared to be an "Event of Default":

- 9.1.1. If the payment of any installment of principal and interest on the Notes shall not be made when the same shall become due and payable, either at maturity or by proceeding for prepayments or otherwise.
- 9.1.2. If Borrower shall discontinue for more than 60 days or unreasonably delay or fail to carry on with reasonable dispatch the completion of the Construction of the Project.
- 9.1.3. If Borrower shall for any reason be rendered incapable of fulfilling its obligations hereunder.
- 9.1.4. If the Facility or any substantial part thereof shall be condemned, destroyed, or damaged to the extent of impairing its efficient operation or adversely affecting its gross revenues and for any reason shall not be promptly repaired, replaced, rebuilt, or reconstructed.
- 9.1.5. If judgment for the payment of money shall be rendered against Borrower as the result of its ownership or operation of the Facility, or any of Borrower's other operations, and the judgment shall not be discharged within 60 days from the entry thereof and an appeal shall not be taken in a manner so as to stay the execution of or levy under any judgment, order, decree or process for the enforcement thereof.
- 9.1.6. If any order or decree shall be entered, with the consent or acquiescence of Borrower appointing a receiver or receivers of the Facility, or the revenues from the Facility, or if an order or decree, having been entered without the acquiescence or consent of Borrower, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof.
- 9.1.7. If any proceeding shall be instituted with the consent or acquiescence of Borrower for the purpose of effecting a composition between Borrower and its creditors or for the purpose of adjusting the claims of those creditors pursuant to any Federal or State statute now or

hereafter in effect, if the claims of the creditors are under any circumstances payable from the revenues of the facility or in any way affect the financial stability of the Facility.

9.1.8. If the Government determines that any of the Borrower's representations contained in the Loan Instruments, the Loan applications, the Loan closing papers or any written or oral communication submitted by it to the Government were false or materially misleading.

9.1.9. If Borrower shall default in the due and punctual performance of any covenants, conditions, agreements or provisions contained in any Loan Instrument or any other security instrument of Borrower held or insured by the Government, and the default is either incurable or, if curable, shall continue for thirty days after written notice, specifying the default and requiring that it be remedied, shall have been filed with Borrower by the Government or by an uninsured holder of the Note.

Section 9.2. Remedies Upon Default:

Upon the happening of any Event of Default, the Government and/or any uninsured holder of the Note shall have all of the rights and remedies contained in the Loan Instruments, and such rights and remedies shall be in addition to and not in lieu of all other rights and remedies which may be afforded to the Government and any uninsured holder of the Notes by any applicable state or federal laws and or regulations.

Section 9.3. Delay and Waiver:

The delay or failure on the part of the Government or any uninsured holder of the Note to exercise any right or power accruing upon any default or Event of Default shall not impair any right or power or be construed to be a waiver of any default or Event of Default or acquiescence therein. Every right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under the Loan Instruments by the Government or any uninsured holder of the Note shall extend to or affect any subsequent default or Event of Default or shall impair any consequent rights or remedies.

Section 9.4. Remedies Cumulative:

No remedy conferred by the Loan Instruments is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every

other remedy therein or now or hereafter existing in equity, at law, by statute or by government regulation.

ARTICLE X REPRESENTATIONS AND WARRANTIES

Section 10.1. General:

In order to induce the Government to make the Loans, the Borrower makes the representations and warranties set forth in this Article.

Section 10.2. Corporate Organization and Power:

The Borrower (i) is a non-profit corporation duly organized, validly existing and in good standing under the laws of the state of West Virginia; (ii) has its principal place of business located at the address listed on the Financing Statement; (iii) has not suffered or permitted its corporate charter or by-laws to be amended, rescinded or revoked, except as previously fully disclosed to the Government in writing; (iv) has the corporate power to acquire, own, lease and give a lien and security interest on and in the property constituting the Encumbered Property and to engage in the transactions contemplated by this Agreement; (v) has duly authorized the execution and delivery of each of the Loan Instruments; and (vi) has the full power, authority and legal right to execute and deliver each of the Loan Instruments and to perform and observe the terms and provisions of such instruments.

Section 10.3. Liabilities:

The Borrower has no liabilities except as contemplated by this Loan Agreement and fully disclosed in the Borrower's financial records as presented to the Government. Such financial records are true and correct.

No data was withheld and no material adverse change in the Borrower's financial position has occurred which would adversely effect such statements. The Borrower's assets are not less than its liabilities, both determined in accordance with generally accepted accounting principles. The Borrower is solvent.

Section 10.4. Litigation and Taxes:

There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower at law or in equity before any court or administrative officer or agency which might result in any material adverse change in the business or financial condition of the Borrower. The Borrower is not in default (i) in the payment of any taxes levied or assessed against it or any of its assets or (ii) under an applicable statute, rule, order, decree, writ, injunction or regulation of any governmental body (including any court).

Section 10.5. Compliance with Other Instruments:

The Borrower is not a party to any contract or agreement or subject to any charter or corporate restriction, to any order, rule, regulations, writ, injunction or decree of any court or governmental authority or to any statute which materially and adversely affects its business, property, assets or financial condition. Neither the execution, delivery or performance of the Loan Instruments, nor compliance with the terms and provisions thereof, conflicts or will conflict with or results or will result in a breach of any of the terms, conditions or provisions of the charter documents or by-laws of the Borrower, or of any law, or of any order, writ, injunction or decree of any court or governmental authority, or of any agreement or instrument to which the Borrower is a party or by which it is bound, or constitute a default thereunder, or result in the creation or imposition of any lien, charge or encumbrance upon any of its property pursuant to the terms of any such agreement or instrument, except the lien and security interest created or permitted by the Loan Instruments.

Section 10.6. Governmental Authorization:

No authorization, consent, or approval of any governmental authority is required for the execution and delivery of the Loan Instruments. All such authorizations, consents or approvals have been obtained on or prior to the date hereof. All necessary permits and licenses to construct and operate the Facility have been obtained.

Section 10.7. Events of Default:

No event has occurred and is continuing which would constitute an Event of Default under the Mortgage, or under this Loan Agreement, or would constitute such an event of default but for the requirements that notice be given or that a period of time elapse, or both.

Section 10.8. Credit Elsewhere:

The Borrower is unable to obtain sufficient credit elsewhere to finance the Project, taking into consideration prevailing private and cooperative rates and terms currently available.

Section 10.9. Other Representations:

All representations which the Borrower has made to the Government in connection with transactions contemplated hereby, whether contained in the other Loan Instruments, the Loan application or written or oral correspondence with the Government, are true and correct and are not materially misleading.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Federal Criminal Laws:

Violation of the Borrower's covenants set forth in Section 6.6, "Sale or Encumbrance," in addition to constituting an "Event of Default" under Section 9.1 of this Loan Agreement, may also constitute a violation of Federal criminal laws.

Section 11.2. Contract with Government and Holder of Notes:

The provisions of the Loan Instruments shall constitute a contract and security agreement between Borrower and the Government for as long as the Government is the holder or insurer of the Notes and any portion of the principal of the Notes or the interest thereon remains outstanding and unpaid. In the event that the Government is neither a holder nor an insurer of the Note, then and only then shall the Loan Instruments constitute a contract between Borrower and the holder of the Note.

Section 11.3. Authority of Officers and Agents:

The Officers and agents of Borrower shall do all acts and things required by this instrument, and any other Loan Instrument for the complete and punctual performance of all the terms, covenants, and agreements contained therein.

Section 11.4. Successors and Assigns:

All the covenants, stipulations, promises, and agreements of Borrower contained in the Loan Instruments shall bind and inure to the benefit of its successors and assigns, whether it is so expressed or not.

Section 11.5. Limitations on Notice:

Any provisions in any Loan Instrument for the giving, filing, mailing, or delivery of notice or other papers shall be deemed fully complied with if and when such notice or other papers are sent by certified mail (postage prepaid), unless otherwise required by law, addressed as set forth below.

Borrower's Address: Alpine Lake Public Utilities Company
Attn: President
700 West Alpine Drive

Terra Alta, WV 26764

Government's Address: United States Department of Agriculture
Rural Utilities Service
Randolph Center Building
1200 Harrison Avenue, Suite 150
Elkins, WV 26241

The parties may change the addresses in this section by giving notice of the change in the manner set forth above.

Section 11.6. Amendments:

The Loan Agreement, the Loan Resolution, the Mortgage and the Note may not be amended or modified except in writing executed by an authorized representative of the party against whom such amendment is being enforced. All amendments shall clearly identify the Loan Instrument to which they pertain. They may also be numbered sequentially beginning with "Amendment 1" and be so dated.

Section 11.7. Subsequent Loans:

In the event that the Government shall ever determine to make one or more subsequent loans to the Borrower, Borrower shall authorize such loans by adopting new resolutions on RUS Bulletin 1780-28. Such resolutions adopted on RUS Bulletin 1780-28 shall constitute an amendment of this Loan Agreement and any indebtedness incurred pursuant to them shall be automatically added to the indebtedness secured by this Loan Agreement. In the event that the Government requires the Borrower to put up collateral not already pledged under Sections 2.2 and 2.3 of this Loan Agreement, then such collateral may be included in such sections by having the Borrower sign a description of such collateral and attaching the signed description to this Loan Agreement.

Section 11.8. Headings and Table of Contents:

Any headings in the Loan Instruments and the Table of Contents to this Loan Agreement are solely for convenience of reference and shall not constitute a part of the Loan Instruments, nor shall they affect their meaning, construction, or effect.

Section 11.9. Severability:

The provisions of this Loan Agreement are hereby declared to be severable. If any court of competent jurisdiction shall hold any provisions hereof to be invalid

and unenforceable, that holding shall not affect any other provisions of this instrument.

Section 11.10. Effective Date:

This Loan Agreement shall take effect immediately.

Section 11.11. Counterparts:

The Loan Instruments may be executed in several counterparts each of which shall be an original; however, all counterparts of any given instrument shall constitute but one and the same instrument.

Section 11.12. Applicable Laws:

The Loan Instruments shall be subject to the present regulations of the Rural Development, and to its future regulations not inconsistent with the express provisions thereof. The Loan Instruments shall be governed by federal law, to the extent pertinent, and in all other respects by the laws of the state in which the Project is located.

Section 11.13. Forms:

In the event that any of the government forms referred to herein or in any of the other Loan Instruments are revised, redesignated, or renumbered, then such references shall be deemed to include such revised, redesignated or renumbered forms, as they may be in effect from time to time, but only to the extent that they do not conflict with the express provisions hereof or of the other Loan Instruments.

ARTICLE XII

CONSTRUCTION

Section 12.1. General:

The provisions of this Article shall apply if the Loans or any future loan from the Government is to be advanced in multiple stages in lieu of interim commercial financing during the Construction of the Project or any extension or improvement of the Facility.

Section 12.2. Plans and Specifications:

The Project shall be constructed in accordance with Plans and Specifications which have been approved by the Government in writing. The Plans and Specifications shall not be deviated from in any significant respect except pursuant to written change order. All change orders shall first be approved by the Government in writing.

Section 12.3. Disbursement of Other Funds:

Unless otherwise agreed to in writing by the Government, acting in its sole discretion, the funds provided by Borrower or from other sources shall be disbursed prior to the use of the Loan proceeds.

Section 12.4. Multiple Advances:

Generally multiple advances will be made only as needed to cover disbursements required by Borrower over the preceding 30-day period. Advances will not exceed 24 in number or extend longer than two years beyond the date of this Loan Agreement. The retained percentage withheld from any contractor to assure Construction completion will be included in the last advance.

Section 12.5. Requesting Multiple Advances:

Advances will be requested by Borrower on Form RD 440-11, "Estimate of Funds Needed," to show the amount of funds needed during the next ensuing 30-day period.

Section 12.6. Payment for Construction, Requisitions:

Payment for Construction shall be made in accordance with the Construction contracts in amounts approved by the Rural Development Specialist on Form RD

1924-18, "Partial Payment Estimate." Advances for contract retainage shall not be made until the retainage is due and payable under the contract. Each payment must be approved by the Board of Directors of the Borrower. The review and acceptance of partial payment estimates by the Government does not attest to the correctness of the quantities shown or that the work has been performed in accordance with the Plans and Speculations.

Section 12.7. Delegation of Authority to Approve and Execute Forms Required Under Sections 12.5 and 12.6:

The President and the Treasurer shall each be the authorized representatives of the Board of Directors of the Borrower and have joint and several authority to approve and execute all forms needed to reflect advances of Loan proceeds, all forms necessary or incidental to payment for Construction of the project, and any change orders which may be required.

Section 12.8. Funds Remaining After Construction is Completed:

In the event Loan proceeds remain available, including obligated funds not advanced, after all costs incident to the Project have been paid or provided for, the surplus funds may be used for needed extensions, enlargements, and improvements of the Facility with the prior permission of the Government. Remaining Loan proceeds not needed for authorized extensions, enlargements or improvements shall be returned to the Government as a prepayment on the Note in a proportionate amount of the Loans to the total project cost.

Section 12.9. Resident Inspection:

Full-time resident inspection shall be conducted by person(s) provided by the architect-engineer or, by the owner, and approved by the Government. An inspector's daily diary shall be maintained by the resident inspector in accordance with regulations of the Rural Development.

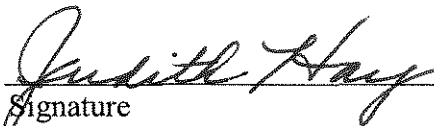
Section 12.10. Effect of Event of Default on Further Advances:

In case an Event of Default happens, then, in addition to the remedies available to it under Section 9.2, the Government shall be relieved of any further obligation to advance funds under the Loan Agreement.

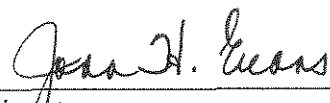
IN WITNESS WHEREOF, Borrower has caused this Loan Agreement to be executed on its behalf by its President and Treasurer, and has caused its corporate seal to be affixed and attested by its Secretary, all on this 10th day of January, 2008, being the date of the execution and delivery of the Notes.

ALPINE LAKE PUBLIC
UTILITIES COMPANY

By: 
Signature
Its: President

By: 
Signature
Its: Treasurer

(CORPORATE SEAL)

Attest: 
Signature
Its: Secretary

ALPINE LAKE PUBLIC UTILITIES COMPANY

Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

RECEIPT FOR NOTE

The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies this 10th day of January, 2008 as follows:

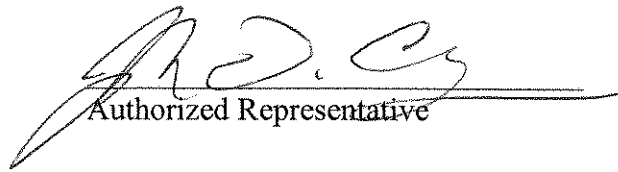
1. On the 10th day of January, 2008, at Alpine Lake, West Virginia, the undersigned received for the Purchaser the single, fully registered Alpine Lake Public Utilities Company Sewer Revenue Note, Series 2008 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$3,500,000 (the "Series 2008 A Note"), dated the date hereof, bearing interest at the rate of 4.25% per annum, payable in monthly installments as stated in the Series 2008 A Note. The Series 2008 A Note represents the entire above-captioned Series 2008 A Note issue.

2. At the time of such receipt, the Series 2008 A Note had been executed and sealed by the designated officials of the Board of Directors of Alpine Lake Public Utilities Company (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of \$225,700, being a portion of the principal amount of the Series 2008 A Note. Further advances of the balance of the principal amount of the Series 2008 A Note will be paid to the Issuer as acquisition and construction of the Project progresses.

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WITNESS my signature on the day and year first written above.


Authorized Representative

SPECIMEN

USDA

Form RD 440-22

(Rev. 6-98)

PROMISSORY NOTE ALPINE LAKE PUBLIC UTILITIES COMPANY

KIND OF LOAN:

☒ ASSOCIATION- ORGANIZATION

☐ HOUSING - ORGANIZATION

☐ PUBLIC BODY

☐ OTHER

Note Number: AR-1

Date: January 10, 2008

FOR VALUE RECEIVED, ALPINE LAKE PUBLIC UTILITIES COMPANY (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture (herein called the "Government"), or its registered assigns, at its National Finance Office, in St. Louis, Missouri, 63103, or at such other place as the Government may hereafter designate in writing, the principal amount of THREE MILLION FIVE HUNDRED THOUSAND AND 00/100 dollars (\$3,500,000), plus interest on the principal balance at the rate of 4.25% per annum. The said principal and interest shall be paid in the following installments on or before the following dates: Monthly installments of interest only, commencing 28 days following delivery of this Note and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$15,505.00, covering principal and interest thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Note, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Every payment made on any indebtedness evidenced by this note 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 note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note 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 of 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 hereto, 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.

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.

Default hereunder shall constitute default under any other instrument evidencing a debt or other obligation of Borrower to the Government or securing such a debt or other obligation and default under any such other instrument shall constitute default hereunder. Upon any such default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1)\$ 225,700	January 10, 2008	(6)\$	
(2)\$		(7)\$	
(3)\$		(8)\$	
(4)\$		(9)\$	
(5)\$		(10)\$	
	TOTAL		

PAY TO THE ORDER OF

UNITED STATES OF AMERICA
RURAL DEVELOPMENT
(Name of Agency)

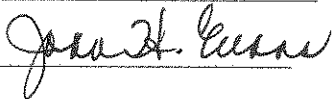
BY _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
ALPINE LAKE PUBLIC UTILITIES COMPANY
SEWER REVENUE BONDS, SERIES 2008 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$3,500,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

Note No.	Date of Registration	In Whose Name Registered	Signature of Secretary of Registrar
AR-1	January 10, 2008	United States of America	

01.03.08
012210.00002

January 10, 2008

Alpine Lake Public Utilities Company
Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

Alpine Lake Public Utilities Company
Alpine Lake, West Virginia

United States Department of Agriculture
Rural Utilities Service
Elkins, West Virginia

Ladies and Gentlemen:

We have served as note counsel in connection with the issuance by Alpine Lake Public Utilities Company in Preston County, West Virginia (the "Issuer"), of its \$3,500,000 Sewer Revenue Note, Series 2008 A (United States Department of Agriculture), dated the date hereof (the "Series 2008 A Note"), pursuant to Chapter 31E, Article 1 *et seq.* and Section 31E-3-302(7), of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a loan resolution of the Issuer duly adopted January 8, 2008 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Issuer is duly created, validly existing, and in good standing under the laws of the State of West Virginia as a nonprofit corporation, with full corporate power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Series 2008 A Note, all under the Act and other applicable provisions of law.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Series 2008 A Note.

4. The Series 2008 A Note has 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 Resolution.

5. The lien granted to the United States of America, by United States Department of Agriculture, Rural Utilities Services (the "Purchaser") pursuant to the Credit Line Deed of Trust, Fixture Filing and Security Agreement (the "Deed of Trust") constitutes a valid lien against the real property described therein under applicable law. The filing of the Deed of Trust as a fixture filing in the real estate records of the Office of the Clerk of the County Commission of Preston County, West Virginia, together with the filing of a UCC-1 financing statement as a fixture filing in the Office of the Secretary of State of the State of West Virginia, will perfect the security interest of the Purchaser in the fixtures of the Issuer located at the real property described therein. The Loan Resolution Security Agreement, Loan Agreement, and Deed of Trust (collectively referred to as the "Security Agreement") creates a valid security interest in the gross revenues, accounts receivable, and personal property described therein. The filing of the UCC-1 financing statement in the Office of the Secretary of State of the State of West Virginia will create a perfected security interest in the personal property described therein. All such documents have been duly recorded and filed on the date hereof.

6. The Series 2008 A Note has 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 Series 2008 A Note is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008 A Note.

It is to be understood that the rights of the holders of the Series 2008 A Notes and the enforceability of the Series 2008 A Note, the Deed of Trust, the Security Agreement, and the Resolution 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 their enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

A handwritten signature in black ink that reads "Steptoe & Johnson PLLC". The signature is written in a cursive, flowing style.

STEPTOE & JOHNSON PLLC



Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

United Center, Suite 400
1085 Van Voorhis Road
P.O. Box 1616
Morgantown, WV 26507-1616
(304) 598-8000 (304) 598-8116 Fax
www.steptoehjohnson.com

Writer's Contact Information

January 10, 2008

Alpine Lake Public Utilities Company
Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

Alpine Lake Public Utilities Company
Alpine Lake, West Virginia

United States Department of Agriculture
Rural Utilities Service
Elkins, West Virginia

Ladies and Gentlemen:

We are special project counsel to Alpine Lake Public Utilities Company, a West Virginia nonprofit corporation, located in Preston County, West Virginia (the "Issuer") in connection with the financing represented by the issuance of the above captioned notes. As such counsel, we have examined: (i) copies of the approving opinion of Steptoe & Johnson PLLC, as note counsel, relating to the issuance of the Sewer Revenue Note, Series 2008 A (United States Department of Agriculture), dated the date hereof, issued in the original aggregate principal amount of \$3,500,000 (the "Series 2008 A Note"; (ii) the Loan Resolution Security Agreement duly adopted by the Issuer on January 8, 2008 (the "Note Legislation"), (iii) a Credit Line Deed of Trust, Fixture Filing and Security Agreement dated January 10, 2008 (the "Deed of Trust") by and among the Issuer, the trustee named therein, and the United States of America, by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), (iv) a Loan Agreement dated January 10, 2008 (the "Loan Agreement") by and between the Issuer and the Purchaser, (v) a UCC-1 Financing Statement securing the Series 2008 A Note (the "Financing Statement") and other documents, papers, agreements, instruments and certificates relating to the Series 2008 A Note and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Note Legislation when used herein.

We are of the opinion that:

1. The Issuer is duly created and validly existing under the laws of the State of West Virginia as a nonprofit corporation, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Note Legislation, and to issue the Series 2008 A Note, all under the Act and other applicable provisions of law. The members and officers of the Board

of Directors of the Issuer have been duly elected and appointed and are authorized to act on behalf of the Issuer in their respective capacities.

2. The Series 2008A Note has been duly authorized, executed, and delivered by the Issuer and constitute valid and binding obligations of the Issuer enforceable in accordance with their terms.

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

4. The Deed of Trust has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.

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

6. The execution and delivery of the Series 2008A Note, the Deed of Trust, the Loan Agreement and the Financing Statement and the consummation of the transactions contemplated by the Series 2008 A Note, the Deed of Trust, the Loan Agreement, the Financing Statement and the Note Legislation and the carrying out of the terms thereof, have been duly authorized by all necessary corporate action and 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 its Articles of Incorporation or Bylaws, or any resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

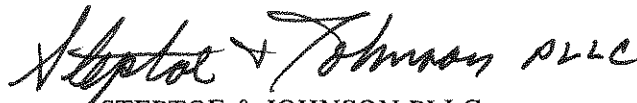
7. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Series 2008A Note, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders, certificates and approvals from the West Virginia Infrastructure and Jobs Development Council, the West Virginia Bureau of Public Health and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

8. We have verified that all successful bidders have made required provisions for all insurance and payment and performance bonds and have reviewed such insurance policies or binders and such bonds for accuracy. We have reviewed the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project and verified that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of applicable law and the Note Legislation; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

9. To the best of our knowledge, there is no litigation, 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 Deed of Trust, the Loan Agreement, the Financing Statement, the Note Legislation, the Series 2008A Note, the acquisition and construction of the Project, the operation of the System, the validity of the Series 2008A Note, the collection of the Gross Revenues or the pledge of the Gross Revenues, property, and accounts receivable of the sewer system to the payment of the Series 2008 A Note.

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

Very truly yours,


STEPTOE & JOHNSON PLLC

01.03.08
012210.00002

CH925286.1



Reeder & Dunham, PLLC
ATTORNEYS AND COUNSELORS AT LAW

Jeffrey C. Dunham
Joseph K. Reeder

January 10, 2008.

Alpine Lake Public Utilities Company
Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

Alpine Lake Public Utilities Company
Alpine Lake, West Virginia

United States Department of Agriculture
Rural Utilities Service
Elkins, West Virginia

Steptoe & Johnson PLLC
Morgantown, West Virginia

Ladies and Gentlemen:

We are special counsel to Alpine Lake Public Utilities Company in Preston County, West Virginia (the "Issuer"). As such counsel, we have represented the Issuer before the Public Service Commission of West Virginia (the "Commission") in connection with the issuance of the above-referenced notes (the "Series 2008 A Notes") by the Issuer.

We are of the opinion that the Issuer has received the Recommended Decision of the Commission dated May 29, 2007, which became final order on June 18, 2007, in Case No. 07-0058-S-CN; granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project, and approving staff recommended increased rates and charges for the Issuer's sewer system improvement project. We are also of the opinion that all proceedings of the Issuer and the Commission in connection with the entry of said Commission Orders were in accordance with applicable law and that no other action is necessary to put the approved rates and charges of the sewer system into full force and effect upon completion of construction of the Project. The time for appeal of such Commission Orders has expired prior to the date hereof without any appeal having been filed. Such Commission Orders remain in full force and effect.

We are also of the opinion that the Issuer has received the Commission Order of the Commission dated September 5, 2007, in Case No. 07-1503-S-PC, approving the Sewer System Agreement dated July 21, 2007, between the Issuer and Alpine Lake Property Owners Association, Inc. We are of the opinion that all proceedings of the Issuer and the Commission in connection with the entry of said Commission Order were in accordance with applicable law. The time for appeal of such Commission Order has expired prior to the date hereof without any appeal having been filed. Such Commission Order remains in full force and effect.

3772 TEAYS VALLEY ROAD, SUITE 3 ♦ P.O. BOX 1027 ♦ HURRICANE, WV 25526
TELEPHONE (304) 757-7320 ♦ CHARLESTON (304) 343-7320
TOLL FREE (866) 267-7320 ♦ FAX (304) 757-7707
E-mail: jdunham @reederdunhamlaw.com

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

Very truly yours,



REEBER AND DUNHAM, PLLC

01.03.08
012210.00002

ALPINE LAKE PUBLIC UTILITIES COMPANY

Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER ON:

1. AUTHORIZATION AND AWARD OF NOTES
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND MEETINGS
7. DELIVERY AND PAYMENT AND USE OF PROCEEDS
8. LAND AND RIGHTS-OF-WAY
9. DUE INCORPORATION AND EXISTENCE OF ISSUER
10. CONTRACTORS' INSURANCE, ETC.
11. CONNECTIONS, ETC
12. RATES
13. PUBLIC SERVICE COMMISSION ORDERS
14. SIGNATURES AND DELIVERY
15. SPECIMEN NOTES
16. MANAGEMENT
17. CONFLICT OF INTEREST
18. PROCUREMENT OF ENGINEERING SERVICES
19. EXECUTION OF COUNTERPARTS

We, the undersigned PRESIDENT, SECRETARY, and TREASURER of the Board of Directors of Alpine Lake Public Utilities Company, a West Virginia non-stock nonprofit corporation in Preston County, West Virginia (the "Issuer"), hereby certify on this 10th day of January, 2008, in connection with the issuance by the Issuer of its Sewer Revenue Note, Series 2008 A (United States Department of Agriculture) (the "Series 2008 A Note") as follows:

1. AUTHORIZATION AND AWARD OF NOTES: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2008 A Note has been duly awarded to the United States of America, acting by

the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions of the Purchaser, dated February 18, 2005, and Amendment No. 1 of said Letter of Conditions, dated April 1, 2005, and all amendments thereto, and as appears in the Loan Resolution Security Agreement of the Issuer duly adopted January 8, 2008, authorizing issuance of the Series 2008 A Note (the "Resolution" or "Note Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Series 2008 A Note is being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

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 Series 2008 A Note, the acquisition and construction of the Project, the operation of the System, the receipt of the Gross Revenues, or in any way contesting or affecting the validity of the Series 2008 A Note, or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 2008 A Note, the pledge or application of the Gross Revenues or any other monies or security provided for the payment of the Series 2008 A Note, the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Series 2008 A Note, the acquisition and construction of the Project, the operation of the System, the collection of the Gross Revenues or the pledge of the Gross Revenues, accounts receivable, and property of the sewer system as security for the Series 2008 A Note.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2008 A Note have been duly and timely obtained and remain in full force and effect. 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 by the Purchaser of a loan to assist in the acquisition and construction of the Project. The Issuer will provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are no outstanding obligations of the Issuer which will rank on a parity with or senior and prior to the Series 2008 A Note as to liens, pledge, and source of and security for payment.

There are outstanding obligations of the Issuer which do not have a lien on any revenues or assets of the System, and are not payable from Gross Revenues, as follows: (i) a Promissory Note issued to The Terra Alta Bank, dated April 6, 2004, issued in the original principal amount of \$29,708.50; (ii) a Note and Security Agreement issued to TFS Capital Funding, dated March 18, 2004, issued in the original principal amount of \$22,000; (iii) a Promissory Note issued to The Terra Alta Bank, dated March 13, 2003, issued in the original principal amount of \$116,725; (iv) a Line of Credit with The Terra Alta Bank, dated March 8, 2004, in the amount of \$30,065; (v) a Promissory Note issued to the BB&T Bank dated March 31, 2007, issued in the original principal amount of \$50,000.00; (vi) a Promissory Note issued to The Terra Alta Bank, dated March 24, 2005, issued in the original principal amount of \$24,113; and (vii) a Universal Note issued to Clear Mountain Bank, dated November 14, 2005, issued in the original principal amount of \$25,771.19.

The Terra Alta Bank has changed its name to Clear Mountain Bank and the indebtedness stated above as being issued to The Terra Alta Bank is now held by Clear Mountain Bank.

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, supplemented or changed in any way unless modification appears from later documents also listed below:

Loan Resolution Security Agreement

Loan Agreement

A Credit Line Deed of Trust, Fixture Filing and Security Agreement

UCC-1 Financing Statement

Public Service Commission Orders

Series 2008 A Promissory Note

Registration Book

Articles of Incorporation

Bylaws

Certificate of Existence

Evidence of Good Standing with West Virginia Workers' Compensation Board and West Virginia Bureau of Employment Programs, Division of Unemployment Compensation

Minutes of Current Year Organizational Meeting

Minutes Evidencing Election of Board Members

Minutes on Adoption of Note Resolution, Approval of First Draw, and Providing Notice of Award and Notice to Proceed

United States Department of Agriculture Letter of Conditions; Amendment No. 1 to Letter of Conditions; and Closing Instructions

Environmental Health Services Permits

Insurance Certificates

Sewer Agreement Between ALPOA and ALPUC

6. INCUMBENCY AND MEETINGS: The proper corporate name of the Issuer is "Alpine Lake Public Utilities Company" and it is a West Virginia, non-stock, non-profit corporation located in Preston County, West Virginia. The governing body of the Issuer is its Board of Directors (the "Board") consisting of five duly elected or appointed, as applicable, members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Ann Nelson	July 1, 2006	June 30, 2009
Dean Riley	July 1, 2007	June 30, 2010
Joan Evans	July 1, 2005	June 30, 2008
Judy Hay	July 1, 2006	June 30, 2009
Leonard Wierzbicki	July 1, 2005	June 30, 2008

The names of the duly elected, qualified and serving officers of the Board for fiscal year 2006-2007 are as follows:

President	-	Ann Nelson
Vice President	-	Dean Riley
Vice President	-	Leonard Wierzbicki
Treasurer	-	Judy Hay
Secretary	-	Joan Evans

The duly appointed and acting legal counsel for the Issuer are as follows: special PSC counsel- Reeder and Dunham, PLLC; special project counsel- Steptoe & Johnson PLLC.

All actions and resolutions taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Series 2008 A Note and the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Board duly and regularly called and held pursuant to the Bylaws of the Issuer and all applicable statutes, including, without limitation, Chapter 31E, Article 8 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 Board was present and acting at all times during all such meetings. All required notices were given in accordance with the Bylaws of the Issuer.

7. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2008 A Note was delivered to the Purchaser at Alpine Lake, West Virginia, by the undersigned President for the purposes set forth herein, and at the time of such delivery the Series 2008 A Note has been duly and fully executed and sealed on behalf of the Issuer in accordance with the Note Resolution.

At the time of delivery of the Series 2008 A Note, the amount of \$225,700 was received by the undersigned President, being a portion of the principal amount of the Series 2008 A Note. Further advances of the balance of the principal amount of the Series 2008 A Note will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Series 2008 A Note is dated the date hereof, and interest on advances of the principal thereof at the rate of 4.25% per annum is payable from the date of each such advance.

8. 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 Series 2008 A Note.

9. DUE INCORPORATION AND EXISTENCE OF ISSUER: The Issuer is a non-stock, not-for-profit corporation organized and existing under the laws of the State of West Virginia, duly authorized to conduct its affairs and transact business in the State of West Virginia, and is not prohibited by any provision of its Articles of Incorporation or Bylaws from conducting its business described in, or effectuating the transactions contemplated in the Resolution and the other bond documents. There are delivered herewith true, correct and complete copies of the Articles of Incorporation, Bylaws, Certificate of Existence of the Issuer, with all amendments, modifications and supplements, which are all in full force and effect on the date hereof.

10. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser and the Bond Resolution. All insurance for the System required by the Bond Legislation and the Letter of Conditions is in full force and effect.

11. CONNECTIONS, ETC.: The Issuer will serve at least 386 bona fide full-time users upon the System on completion, including the Herron Apartments and the Alpine Lake Lodge in full compliance with the requirements and conditions of the Purchaser.

12. RATES: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on May 29, 2007, which became final order on June 18, 2007 in Case No. 07-0058-S-CN, approving the staff recommended rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Commission Order has expired prior to the date hereof without any appeal and such Commission Order is in full force and effect. The rates and charges in such Commission Order will go into effect upon completion of the Project.

13. PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received the Recommended decision of the Public Service Commission of West Virginia entered on May 29, 2007 which became final order on June 18, 2007, in Case No. 07-0058-S-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, approving financing for the acquisition and construction of the Project, and approving the staff recommended rates for the System. The time for appeal of such Commission Orders has expired prior to the date hereof

without any appeal having been filed. The Commission Orders remain in full force and effect.

14. SIGNATURES AND DELIVERY: On the date hereof, the undersigned President and Treasurer did officially sign the Series 2008 A Note, number AR-1, dated the date hereof, by their manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Series 2008 A Note and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Series 2008 A Note to the Purchaser as the original purchaser of the Series 2008 A Note. Said official seal is also impressed above the signatures appearing on this certificate.

15. SPECIMEN NOTE: Delivered concurrently herewith is a true and accurate specimen of the Series 2008 A Note.

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

17. 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 Series 2008 A Note, the Note 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.

18. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Series 2008 A Note.

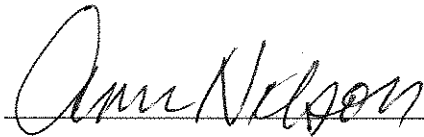
19. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of ALPINE LAKE
PUBLIC UTILITIES COMPANY on the day and year first above written.

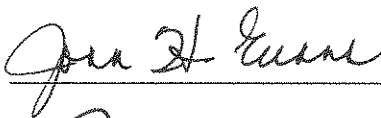
[CORPORATE SEAL]

SIGNATURE

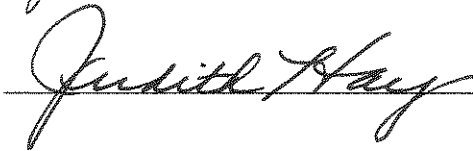
OFFICIAL TITLE

_____

President

_____

Secretary

_____

Treasurer

01.03.08
012210.00002

ALPINE LAKE PUBLIC UTILITIES COMPANY

Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Steven A. Cain, Registered Professional Engineer, West Virginia License No. 15264, of Greenhorne & O'Mara, Inc., Fairmont, West Virginia, hereby certify this 10th day of January, 2008 that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing sewer system (the "System") of Alpine Lake Public Utilities Company (the "Issuer"), to be acquired and constructed in Preston County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned Note of the Issuer.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purpose for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained.

[Remainder of Page Intentionally Blank]

WITNESS my signature on the day and year first written above.

Seal



GREENHORNE & O'MARA, INC.

A handwritten signature in cursive script, appearing to read "S. A. Cain", written over a horizontal line.

Steven A. Cain, P.E.

West Virginia License No. 15264

01.03.08
012210.00002

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500, Terminal Building
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: January 10, 2008

ISSUE: Alpine Lake Public Utilities Company, Sewer Revenue Notes, Series 2008 A (United States Department of Agriculture)

ADDRESS: 700 West Alpine Drive, Terra Alta, WV 26764

COUNTY: Preston

PURPOSE OF ISSUE: New Money: X
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: January 10, 2008

CLOSING DATE: January 10, 2008

ISSUE AMOUNT: \$3,500,000

RATE: N/A

1ST DEBT SERVICE DUE: N/A

1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A

PAYING AGENT: Issuer

BOND

COUNSEL: Steptoe & Johnson PLLC

Contact Person: John C. Stump, Esquire

Phone: (304) 353-8196

UNDERWRITERS

COUNSEL: _____

Contact Person: _____

Phone: _____

CLOSING BANK: N/A

Contact Person: _____

Phone: _____

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Ann Nelson

Position: President

Phone: (304) 789-2481

OTHER: United States Department of Agriculture

Contact Person: Joe Crickenberger

Function: Rural Development Specialist

Phone: (304) 636-2158

DEPOSITS TO MBC AT CLOSE:

By: _____ Wire
_____ Check

Accrued Interest: \$ _____

Capitalized Interest: \$ _____

Reserve Account: \$ _____

Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE

By: _____ Wire
_____ Check
_____ IGT

To Escrow Trustee: \$ _____

To Issuer: \$ _____

To Cons. Invest. Fund: \$ _____

To Other: \$ _____

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2008 A Notes Reserve Account. Payments to the Series 2008 A Notes Reserve Account will commence upon completion of construction.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____

TRANSFERS REQUIRED: _____

ALPINE LAKE PUBLIC UTILITIES COMPANY

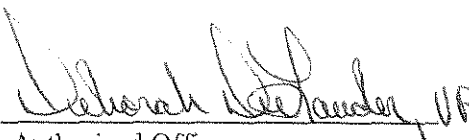
Sewer Revenue Note, Series 2008 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

The undersigned duly authorized representative of Branch Banking & Trust Company, Terra Alta, West Virginia (the "Bank"), hereby certifies that on the 10th day of January, 2008, the Bank received an automated transfer in the amount of \$225,700 to the credit of the Project Construction Account, Account Number 0005175011295 for the Series 2008 A Note.

WITNESS my signature on this 10th day of January, 2008.

BRANCH BANKING & TRUST COMPANY

By: 
Its: Authorized Officer

06/07/07
012210.00002

SEWERAGE SYSTEM AGREEMENT

THIS AGREEMENT made this 21st day of July, 2007, by and between the ALPINE LAKE PROPERTY OWNERS ASSOCIATION, INC., a non-profit corporation and residential property owner's association organized and existing under the laws of the State of West Virginia (hereinafter, "ALPOA") and the ALPINE LAKE PUBLIC UTILITIES COMPANY, a non-profit corporation and a public utility organized and existing under the laws of the State of West Virginia (hereinafter, "ALPUC").

WITNESSETH:

WHEREAS, ALPUC is a West Virginia non-stock non-profit corporation which owns and operates a sewerage system for the collection and treatment of wastewater pursuant to the provisions of Chapter 31E, Article 1 et seq. of the West Virginia Code;

WHEREAS, ALPOA is a residential property owner's association organized and existing under West Virginia law located near Terra Alta, Preston County, West Virginia;

WHEREAS, ALPUC provides sewage collection and treatment services to certain of the membership of ALPOA and the constituent tracts or parcels of real estate thereof, in exchange for which ALPOA currently pays user fees and charges to ALPUC;

SEWERAGE SYSTEM AGREEMENT

THIS AGREEMENT made this 21st day of July, 2007, by and between the ALPINE LAKE PROPERTY OWNERS ASSOCIATION, INC., a non-profit corporation and residential property owner's association organized and existing under the laws of the State of West Virginia (hereinafter, "ALPOA") and the ALPINE LAKE PUBLIC UTILITIES COMPANY, a non-profit corporation and a public utility organized and existing under the laws of the State of West Virginia (hereinafter, "ALPUC").

WITNESSETH:

WHEREAS, ALPUC is a West Virginia non-stock non-profit corporation which owns and operates a sewerage system for the collection and treatment of wastewater pursuant to the provisions of Chapter 31E, Article 1 et seq. of the West Virginia Code;

WHEREAS, ALPOA is a residential property owner's association organized and existing under West Virginia law located near Terra Alta, Preston County, West Virginia;

WHEREAS, ALPUC provides sewage collection and treatment services to certain of the membership of ALPOA and the constituent tracts or parcels of real estate thereof, in exchange for which ALPOA currently pays user fees and charges to ALPUC;

WHEREAS, ALPUC has determined that its sewerage facilities require upgrading in order to properly serve the current and future needs of the members of ALPOA, which upgrades shall consist of the construction of a new 150,000 GPD wastewater treatment plant with a 150,000 gallon flow equalization basin, upgrades or replacement of six existing sewage pumping stations, and construction of a new office facility to serve administrative and billing staff, as well as field crew facilities, together with all appurtenant facilities (collectively, the "Project");

WHEREAS, the Project will be financed exclusively by a loan from the United States Department of Agriculture, Rural Utilities Service, in the estimated amount of approximately \$3,500,000 (the "USDA Loan"), which indebtedness will be evidenced by ALPUC's Sewer Revenue Note, Series 2007 A (United States Department of Agriculture) (the "Note");

WHEREAS, the Note will be repaid, in part, pursuant to fees paid by the users of the sewerage system of ALPUC, as the same is hereafter improved pursuant to the Project (such existing sewerage system, together with the Project and all future additions and improvements thereto herein referred to as the "System");

WHEREAS, in order to supplement the fees paid by residential customers for use of the System and provide sufficient revenues to ALPUC so that it can operate and maintain the System, make the required monthly

payments of debt service on the Note, and payments into the funds and accounts required in connection with the Note, and maintain the required debt service coverage ratios, ALPOA desires to make a fixed monthly payment to ALPUC in exchange for its rendering of sewerage services to ALPOA, which monthly payment will be in addition to all existing user fees and charges paid by ALPOA to ALPUC for services of the sewerage system; and

WHEREAS, ALPOA and ALPUC enter into this Sewerage System Agreement in order to set forth the terms and provisions relating to the monthly payment to be made by ALPOA to ALPUC as set forth above.

NOW, THEREFORE, THIS AGREEMENT FURTHER WITNESSETH: That in consideration of the promises and the mutual benefits, agreements and covenants herein contained, ALPOA and ALPUC do hereby mutually agree as follows:

ARTICLE I
Preconditions to Performance of Obligations

1. ALPOA and ALPUC shall have no obligations pursuant to this Agreement unless and until ALPOA and ALPUC receive all necessary approvals from the required regulatory agencies, whether local, state, or federal, including the West Virginia Public Service Commission, which approvals shall include but not be limited to, any required modifications of ALPUC's National Pollutant Discharge Elimination System ("NPDES") permit,

ALPUC's Office of Environmental Health Services Permit, and the approval of the construction of the Project, the sewer rates to be charged to users of the System, the approval of this Agreement, and the receipt of the USDA Loan and issuance of the Note.

2. ALPOA and ALPUC shall make good faith efforts to ensure that the preconditions set forth above are satisfied. In the event the preconditions set forth above are not met within one (1) year of the date of execution of this Agreement, either of the parties may terminate this Agreement by sending notice to the other via certified mail.

ARTICLE II Wastewater Treatment

1. ALPUC agrees to operate and maintain the System for the express purpose of providing facilities for the collection and treatment of waste and discharges in order to promote the health, safety and convenience of its customers, and for the safeguarding of water resources common to all its customers in accordance with its NPDES Permit.

2. ALPUC shall design, construct, operate, and maintain, at its sole cost, the Project in accordance with generally accepted sanitary engineering standards, which facilities will collect and treat wastewater generated by its customers in Alpine Lake, Preston County, West Virginia.

ALPUC will make its best efforts to ensure that the Project is constructed as soon as possible.

ARTICLE III Payment

1. In order to supplement the revenues that ALPUC receives from its residential customers for the provision of sewage collection and treatment services by the System, and provide sufficient revenues to ALPUC so that it can make the required monthly debt service payments on the Note, the payments into all of the funds and accounts required in connection with the Note, and maintain the required debt service coverage ratios, ALPOA agrees to make a fixed monthly payment to ALPUC as more particularly hereinafter set forth.

2. Commencing either (i) one (1) year following the date of the closing of the USDA Loan, or (ii) upon the date of substantial completion of the Project as certified by ALPUC's consulting engineer, whichever first occurs (the "Payment Commencement Date"), ALPOA shall pay monthly to ALPUC the amount of \$2791.67 as consideration for providing services of the System to ALPOA (the "Monthly Payment"). The Monthly Payment is to be used by ALPUC only for the purpose of making the required debt service payments on the Note, the payments into all of the funds and accounts required in

connection with the Note, and the maintenance of the required debt service coverage ratios for the Note, and for no other purpose.

3. The first Monthly Payment shall be made on the Payment Commencement Date and such payment shall be made monthly thereafter, by the same day of each month at which ALPOA's sewer treatment payment to ALPUC is currently due, such payment to continue monthly for thirty nine (39) consecutive years, or until such earlier time as the Bonds have been paid in full or ALPUC ceases to provide sewer services by the System to its customers.

4. The Monthly Payment shall be made from the general funds of ALPOA and provision shall be made in each annual budget of ALPOA for the tendering of the Monthly Payment to ALPUC.

ARTICLE IV Remedies upon Default

Subject to all applicable laws, in the event that ALPOA fails to make any payment due and remains in default for a period of sixty (60) days following such payment due date, or in the event that ALPOA fails to perform any other term, obligation, or condition of this Agreement, and fails to correct such default (or to commence correction of such default if correction shall reasonably require more than twenty (20) days), within twenty (20) days of receipt of written notice from ALPUC specifying such default, then ALPUC shall have, at its option, the following rights and remedies:

- (a) The right to require specific performance by ALPOA through institution of a civil action against ALPOA in the Circuit Court of Preston County, West Virginia;
- (b) The right to correct such default itself and to charge ALPOA for its cost plus a ten percent (10%) penalty. This penalty is not interest and is only to be collected once for each default as the same may be appropriate;
- (c) The right to seek damages from ALPOA through the institution of a civil action against ALPOA in the Circuit Court of Preston County, West Virginia; and
- (d) The right to pursue any other remedy against ALPOA which it may have under the laws of the State of West Virginia.

ARTICLE V Insurance

ALPUC shall keep its property and facilities insured against damage and destruction and shall obtain comprehensive general liability insurance, including public liability and property damage, with a qualified and sound insurer licenced by the state of West Virginia. Upon written request, ALPUC shall provide ALPOA with a certificate evidencing such insurance.

ARTICLE VI Notices

All notices which may be given hereunder shall be made in writing and sent by United States Mail to the parties hereto at the following addresses, or to such other address as shall hereafter be provided in writing to the other party:

If to ALPUC:

Alpine Lake Public Utilities Company
700 West Alpine Drive
Terra Alta, WV 26764
Attention: President

If to ALPOA:

Alpine Lake Property Owners Association, Inc.
700 West Alpine Drive
Terra Alta, WV 26764
Attention: President

Effective dates for such notices shall be the dates respectively that the same are deposited in the United States Mail, properly addressed, with postage prepaid.

ARTICLE VII Miscellaneous Provisions

1. This Agreement shall bind and benefit the respective parties, but shall not be assignable in whole or in part without first obtaining written consent of ALPUC and ALPOA.

2. This Agreement shall be subject to all present and future laws, orders, rules and regulations of the United States of America, the State of West Virginia, and any other regulatory entity or agency having jurisdiction.

3. If any provision, paragraph, word, section or article of this Agreement is invalidated by any court of competent jurisdiction, the remaining provisions, paragraphs, words, sections and articles shall not be affected and shall continue in full force and effect.

4. 16.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements with respect thereto as of the date of the execution of this Agreement, and no alteration, modification or interpretation of this Agreement shall be binding unless in writing and signed by both parties.

5. No failure by either party to insist upon the strict performance of any term, covenant or condition of this Agreement, or to exercise any right or remedy upon breach of any provision hereof, and no acceptance of payment or performance during the continuation of any such breach, shall constitute a waiver of any term, covenant or condition herein or waiver of any subsequent breach or default in the performance of any terms, covenant, or condition herein.

6. If any provision of this Agreement or its application to any party or circumstances shall be determined by any court of competent

jurisdiction to be invalid and/or unenforceable to any extent, the remainder of this Agreement, along with contemporaneously executed agreements, or the application of such provision to such party or circumstances, other than those determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law. In the event a provision of this Agreement, or contemporaneously executed agreements, is found to be invalid or unenforceable, the parties will negotiate in good faith to agree on a lawful provision having as near the same economic effect as the unenforceable provision.

7. All headings or captions appearing herein are for convenience only, shall not be considered a part of this Agreement, for any purpose or as, in any way interpreting, construing, varying, altering, or modifying this Agreement or any of the provisions hereof.

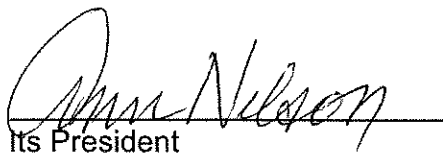
IN WITNESS WHEREOF, the parties hereto have made and executed this Agreement by their appropriate officers as of the day and year first above written.

COMPANY

ALPINE LAKE PUBLIC UTILITIES

[SEAL]

By:


Its President

Attest:

Joan H Evans
Its Secretary

ALPINE LAKE PROPERTY OWNERS
ASSOCIATION, INC.

[SEAL]

By: *Living G. Perry*
Its President

Attest:

Skip Creamer
Joan H Evans #2
Its Secretary

07/5/07
012210.00002

Alpine Lake Public Utilities Company

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

RESOLUTION APPROVING A SEWERAGE SYSTEM AGREEMENT BY AND BETWEEN ALPINE LAKE PUBLIC UTILITIES COMPANY ("ALPUC") AND ALPINE LAKE PROPERTY OWNERS ASSOCIATION INC. ("ALPOA") WHICH PROVIDES FOR A MONTHLY PAYMENT TO BE MADE BY ALPOA TO ALPUC FOR USE BY THE SEWER SYSTEM OF ALPUC; APPROVING THE EXECUTION OF THE SEWERAGE SYSTEM AGREEMENT BY THE APPROPRIATE OFFICERS OF ALPUC; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY TO IMPLEMENT THE TERMS OF THE SEWERAGE SYSTEM AGREEMENT.

WHEREAS, ALPUC owns and operates wastewater collection and treatment facilities in the Alpine Lake area of Preston County, West Virginia (the "System"), for the benefit of its members, which include the residents of Alpine Lake Resort;

WHEREAS, ALPOA is the property owners association for the Alpine Lake Resort, the membership of which pays user fees to ALPUC in exchange for the wastewater collection and treatment services provided by ALPUC;

WHEREAS, ALPUC has determined that improvements and upgrades to its existing wastewater collection and treatment facilities are necessary in order to better serve its members and the membership of ALPOA, consisting of the following (hereinafter, the "Project"): the construction of a new 150,000 GPD wastewater treatment plant with a 150,000 gallon flow equalization basin, upgrades or replacement of six existing sewage pumping stations, and construction of a new office facility to serve administrative and billing staff, as well as field crew facilities, together with all appurtenant facilities;

WHEREAS, ALPUC intends to finance the Project pursuant to a loan from the United States Department of Agriculture, Rural Utilities Service (the "USDA Loan"); and

WHEREAS, in order to provide sufficient rates and charges for the use of its sewerage system, and provide ALPUC with sufficient revenues to pay debt service on the USDA Loan, ALPOA and ALPUC desire to enter into the Sewerage System Agreement which is attached hereto as Exhibit A providing for the making of a monthly payment by ALPOA to ALPUC for the use of ALPUC's sewer system.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF
ALPINE LAKE PUBLIC UTILITIES COMPANY:

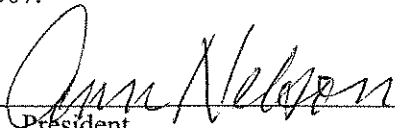
Section 1. All of the terms and provisions of the Sewerage System Agreement, by and between ALPOA and ALPUC, the form of which is attached hereto as Exhibit A are hereby approved and ALPUC is authorized to enter into the Sewerage System Agreement upon the terms and conditions set forth therein.

Section 2. The President of the Board of Directors of ALPUC is hereby authorized to execute the Sewerage System Agreement on behalf of ALPUC and the Secretary of ALPUC is authorized to affix the seal of the corporation thereto and to attest the same.

Section 3. The officers and employees of ALPUC are directed to take all action as may be necessary to carry the Sewerage System Agreement into effect and to implement all of the terms of said Agreement.

Section 4. This Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of July, 2007.

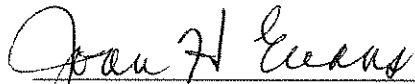
By: 
Its: President

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Board of Directors of
Alpine Lake Public Utilities Company on the 21st day of July, 2007.

Dated: July 21, 2007.

[SEAL]


Secretary

7/16/07
012210.00002

Alpine Lake Public Utilities Company
Sewer Revenue Note, Series 2007 A
(United States Department of Agriculture)

MINUTES OF ALPUC BOARD ON
APPROVAL OF SEWER AGREEMENT

I, Joan Evans SECRETARY of the ALPINE LAKE PUBLIC UTILITIES COMPANY Board of Directors, hereby certify that the following is a true and correct excerpt of the minutes of a regular meeting of the Alpine Lake Public Utilities Company Board of Directors:

.....

The members of the Alpine Lake Public Utilities Company Board of Directors met in regular session, pursuant to notice duly given, on July 21, 2007, at the Board's office at 700 West Alpine Drive, Terra Alta, West Virginia, at the hour of 9 AM .m.

PRESENT: Ann Nelson, Chairman
Joan Evans
Judy Hay
Leonard Wierzbicki

ABSENT: I. Dean Riley
Ann Nelson, President, presided and Joan Evans acted as Secretary.

The President announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the President then presented a proposed resolution for consideration of adoption by the board which was entitled as follows:

RESOLUTION APPROVING A SEWERAGE SYSTEM AGREEMENT BY AND BETWEEN ALPINE LAKE PUBLIC UTILITIES COMPANY ("ALPUC") AND ALPINE LAKE PROPERTY OWNERS ASSOCIATION INC. ("ALPOA") WHICH PROVIDES FOR A MONTHLY PAYMENT TO BE MADE BY ALPOA TO ALPUC FOR USE BY THE SEWER SYSTEM OF ALPUC; APPROVING THE EXECUTION OF THE SEWERAGE SYSTEM AGREEMENT BY THE APPROPRIATE OFFICERS OF ALPUC; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY TO IMPLEMENT THE TERMS OF THE SEWERAGE SYSTEM AGREEMENT.

Thereupon, on motion of John Hays seconded by Leonard Hays was unanimously ordered that said resolution be adopted, and that the same be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

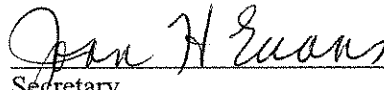
Ann Nelson
President

Jan H. Evans
Secretary

CERTIFICATION

The undersigned hereby certifies that they are the duly elected qualified and acting SECRETARY of the Board of Directors of ALPINE LAKE PUBLIC UTILITIES COMPANY, and that the foregoing is a true, accurate and complete copy of the minutes of a regular meeting of the Alpine Lake Public Utilities Company held July 21, 2007.

Dated: July 21, 2007.


Secretary

7/17/07
012210.00002

Alpine Lake Property Owners Association, Inc.

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

RESOLUTION APPROVING A SEWERAGE SYSTEM AGREEMENT BY AND BETWEEN ALPINE LAKE PUBLIC UTILITIES COMPANY ("ALPUC") AND ALPINE LAKE PROPERTY OWNERS ASSOCIATION INC. ("ALPOA") WHICH PROVIDES FOR A MONTHLY PAYMENT TO BE MADE BY ALPOA TO ALPUC FOR USE BY THE SEWER SYSTEM OF ALPUC; APPROVING THE EXECUTION OF THE SEWERAGE SYSTEM AGREEMENT BY THE APPROPRIATE OFFICERS OF ALPOA; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY TO IMPLEMENT THE TERMS OF THE SEWERAGE SYSTEM AGREEMENT.

WHEREAS, ALPUC owns and operates wastewater collection and treatment facilities in the Alpine Lake area of Preston County, West Virginia (the "System"), for the benefit of its members, which include the residents of Alpine Lake Resort;

WHEREAS, ALPOA is the property owners association for the Alpine Lake Resort, the membership of which pays user fees to ALPUC in exchange for the wastewater collection and treatment services provided by ALPUC;

WHEREAS, ALPUC has determined that improvements and upgrades to its existing wastewater collection and treatment facilities are necessary in order to better serve its members and the membership of ALPOA, consisting of the following (hereinafter, the "Project"): the construction of a new 150,000 GPD wastewater treatment plant with a 150,000 gallon flow equalization basin, upgrades or replacement of six existing sewage pumping stations, and construction of a new office facility to serve administrative and billing staff, as well as field crew facilities, together with all appurtenant facilities;

WHEREAS, ALPUC intends to finance the Project pursuant to a loan from the United States Department of Agriculture, Rural Utilities Service (the "USDA Loan"); and

WHEREAS, in order to provide sufficient rates and charges for the use of its sewerage system, and provide ALPUC with sufficient revenues to pay debt service on the USDA Loan, ALPOA and ALPUC desire to enter into the Sewerage System Agreement which is attached hereto as Exhibit A providing for the making of a monthly payment by ALPOA to ALPUC for the use of ALPUC's sewer system.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF ALPINE LAKE PROPERTY OWNERS ASSOCIATION, INC.:

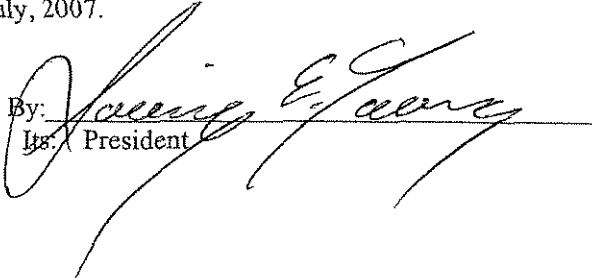
Section 1. All of the terms and provisions of the Sewerage System Agreement, by and between ALPOA and ALPUC, the form of which is attached hereto as Exhibit A are hereby approved and ALPOA is authorized to enter into the Sewerage System Agreement upon the terms and conditions set forth therein.

Section 2. The President of the Board of Directors of ALPOA is hereby authorized to execute the Sewerage System Agreement on behalf of ALPOA and the Secretary of ALPOA is authorized to affix the seal of the corporation thereto and to attest the same.

Section 3. The officers and employees of ALPOA are directed to take all action as may be necessary to carry the Sewerage System Agreement into effect and to implement all of the terms of said Agreement.

Section 4. This Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of July, 2007.

By: 
Its: President

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Board of Directors of Alpine
Lake Property Owner's Association, Inc. on the 21st day of July, 2007.

Dated: July 21, 2007.

 [SEAL]
Secretary

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