

ALPINE LAKE PUBLIC UTILITIES COMPANY

**Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(United States Department of Agriculture)**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALPINE LAKE PUBLIC UTILITIES COMPANY AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,000,000 FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING IMPROVEMENTS AND ADDITIONS TO THE ORGANIZATION'S EXISTING WATER TREATMENT AND DISTRIBUTION SYSTEM, PROVIDING FOR THE COLLECTION, HANDLING, AND DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTE(S), SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Alpine Lake Public Utilities Company (hereinafter referred to as the "Organization"), was organized under W. Va. Code Chapter 31E, Article 1 et seq. for the purpose of providing a water treatment and distribution system for the Alpine Lake Resort (hereinafter referred to as the "Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the Board of Directors (the "Board") of the said Organization was held on the 8th day of August, 2006, pursuant to a proper notice thereof to consider plans for the acquisition and construction of improvements to the Facility and methods of financing the Facility improvements; and, as shown by the minutes of said meeting, of the five (5) Board members of record of the organization there were present and voting four (4) of said members, and by a recorded majority vote, improvements to the existing Facility and the financing thereof was authorized; and,

WHEREAS, the proposed Facility improvements are to be constructed and equipped in accordance with plans, and specifications prepared by Greenhorne & O'Mara, Inc., consulting engineers, and in order to finance the Facility improvements, the Board is authorized and empowered, in their discretion, for and in the name of the Organization, to enter into a loan transaction with the United States of America; acting through the United States Department of Agriculture (hereinafter referred to as the "Government"), for the financing of the improvements to the Facility; to cause the execution and delivery of a promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "Notes"), and appropriate security instruments to secure any loan or loans made or insured by the Government; to execute a Loan Agreement in connection with such a loan or loans; to comply with any requirements, terms or conditions prescribed by the Government or by Government regulations; and to execute construction contracts or any other contracts or enter into agreements and, without limitation, to take any and all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the improvements to the Facility for and on behalf of the Organization.

NOW, THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility improvements by obtaining loans made or insured by the Government in accordance

with applicable provisions of the Consolidated Farm and Rural Development Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility improvements, taking into consideration prevailing private and cooperative rates and terms currently available;

Section 2. (Terms of Loan). That the Organization borrow not to exceed \$3,000,000 and issue as evidence thereof one or more installment promissory note or notes in the form prescribed by the Government for the full principal amount of each loan. The note or notes shall be signed by the President and Treasurer, attested by the Secretary and have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the date of delivery at a rate not to exceed 4.5 percent per annum; the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State and Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The treasurer is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with the loan closing for incurred Facility costs, together with all tap and connection fees related to the Facility improvements, shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the President and/or the Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account shall be made only on checks signed by the President and/or Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loans or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) 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 Series 2006 A Notes Reserve Account, the Series 2006 B Notes Reserve Account, and to the Renewal and Replacement Fund in accordance with (d) and (e) 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 (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below, and (iii) transfers to the Renewal and Replacement Fund will be made in accordance with (e) below.

(c) 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.

(d) Reserve Accounts

From the remaining funds in the General Account, after transfers and payments required in (b)(1) or (b)(2) and (c), there shall be set aside into account(s) designated as the Series 2006 A Notes Reserve Account and the Series 2006 B Notes Reserve Account the sum of 10% of the monthly payment amount each month with respect to each note, until the amount accumulated therein is equal to the annual debt service on each respective note. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

(e) 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 ½% 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.

(f) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), (d), and (e) such excess will be used by the Organization to make prepayments on the loans or retained in the General Account.

(g) The accounts required in subsections (b)(1) and (2), (c), (d), and (e) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid;

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof; the installment payments on the notes; and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the notes when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs, and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the Facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue in excess of the amount required to maintain the accounts described by Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the Series 2006 A Note and the Series 2006 B Note, the President, Treasurer, and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government.

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant, the Organization hereby accepts the grant under the terms as offered by the Government and that the President, Secretary, and Treasurer of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loans may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution a Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the notes hereby authorized remain unpaid.

Section 12. (Approval of Water Rates). The Organization hereby approves and adopts as the water rates and charges to be charged by it for the use of its waterworks system, the water rates and charges set forth in that certain Commission Order entered August 3, 2006, by the West Virginia Public Service Commission. The Organization covenants to increase its water rates and charges from time to time, after first obtaining the approval of the West Virginia Public Service Commission, as necessary to provide sufficient gross revenues to the Organization to make debt service payments on the Series 2006 A Note and the Series 2006 B Note, and to make the payments into the funds and accounts as described in Section 4 hereof.

Section 13. (Approval of Contracts). The board of directors of the Organization hereby approves the execution and delivery by the appropriate officers of the Organization of all construction contracts and agreements, and all other documents and instruments necessary to construct the Facility improvements, to finance the same pursuant to the loans herein described from the Government, and to secure repayment of said loans from the Government.

Section 14. (Notice of Award). If not heretofore provided by the board of directors of the Organization, the board of directors hereby gives notice of award and notice to proceed to the contractors who provided the low bids for the Facility improvements as reflected in the bid tabulation provided to the Government.

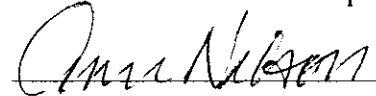
Section 15. This resolution shall take effect and be in force from and after the 8th day of August, 2006, being the date of its enactment.

The vote was: Yeas 4 Nays 0 Absent 1

(SEAL) (if applicable)

Alpine Lake Public Utilities Company

By



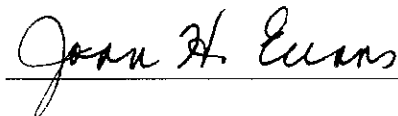
Title: President

By



Title: Treasurer

Attest:

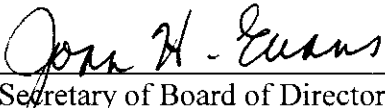


Title Secretary

CERTIFICATION

I, the undersigned, as secretary of the Board of Directors of Alpine Lake Public Utilities Company, hereby certify that the Board of Directors of such Organization or Corporation is composed of five members of whom 4, constituting a quorum, were present at a meeting hereof duly called and held on the 8th day of August, 2006; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 8th day of August, 2006.


Secretary of Board of Directors

USDA RURAL DEVELOPMENT

LOAN AGREEMENT

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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 water 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 waterworks system 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 \$1,700,000, represented by the Series 2006 A Note, and the loan by the Government to the Borrower in the amount of \$913,000, represented by the Series 2006 B 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 Resolution" means the resolution of the Board adopted on RUS Bulletin 1780-28 on August 8, 2006, 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 August 8, 2006, 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.

"Notes" means the Borrower's Series 2006 A Note executed and delivered to the Government on Form RD 440-22 in the aggregate principal amount of \$1,700,000, dated August 8, 2006, and the Borrower's Series 2006 B Note executed and delivered to the Government on Form RD 440-22 in the aggregate principal amount of \$913,000, dated August 8, 2006, 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 the following improvements to the Borrower's existing waterworks Facilities: the development of a second well (or wells) to provide a needed additional source of protected ground water; construction of three new above ground duplex booster pumping stations complete with booster chlorination facilities, automated controls, and flow meters; replace a section of existing 10" SDR 26 PVC water main which has been the source of frequent breaks/leakage; provide individual meters for all customers; perform needed painting and repairs to the water storage tanks (3 tanks) including provision of security fencing; replace existing deteriorated water line valves; construct new water treatment facility including chlorine contact pipe gallery; and install a system wide radio telemetry system to enable reliable operation of the system, together with all appurtenant facilities, 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 2006 A Notes Reserve Account and the Series 2006 B Notes 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 2006 A Note" means the Series 2006 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 \$1,700,000.

"Series 2006 B Note" means the Series 2006 B 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 \$913,000.

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 2006 A Note and its Series 2006 B Note on Form RD 440-22:

A. The Series 2006 A Note shall be in the aggregate principal amount of \$1,700,000, shall be dated the date of its delivery and shall bear interest from the date of delivery at the rate of 4.375% 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, \$7,667, 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 2006 A Note; and

B. The Series 2006 B Note shall be in the aggregate principal amount of \$913,000, shall be dated the date of its delivery and shall bear interest from the date of delivery at the rate of 4.375% 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, \$4,118, 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 2006 B Note.

Payments on the Notes 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 Notes. 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 Notes.

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 Water 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 2006 A Note and the Series 2006 B Note, together with interest thereon, in accordance with their terms, including any extensions or renewals thereof, whenever the Notes are 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 Notes, 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 Notes 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 Loans, 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 Notes remain 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 Notes.

Section 4.2. Enforcement of Charges: So long as any portion of the Notes remain 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 Notes 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 Notes 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 Notes 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 Notes.
- 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 2006 A Note Reserve Account and the Series 2006 B Note Reserve Account the sum of 10% of the monthly payment amount each month

to be used to pay debt service on the Notes 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 Loans 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 2006 A Notes Reserve Account or the Series 2006 B 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 Notes: Borrower shall pay the principal of and interest on the Notes 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 Notes 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 Notes 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 Notes are 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 Notes 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 Notes.

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 water 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 Notes in whole or in part.

Section 8.3. Assignment of Insurance Moneys: Borrower hereby assigns to the Government as holder or insurer of the Notes 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 Notes. 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 Notes 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 Notes (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 Notes.

Section 9.2. Remedies Upon Default: Upon the happening of any Event of Default, the Government and/or any uninsured holder of the Notes 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 Notes 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 Notes 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 Notes, then and only then shall the Loan Instruments constitute a contract between Borrower and the holder of the Notes.

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 Notes 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 Specifications.

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.

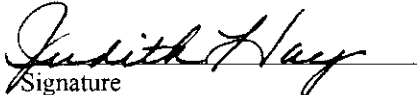
Section 12.10. Effect of Event of Default on Further Advances: In case an Event of Default happens, then, in addition to remedies available to it under Section 9.2, the Government shall be relieved of any further obligation to advance funds under the Loan Agreement.

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 8th day of August, 2012 being the date of the execution and delivery of the Notes.

ALPINE LAKE PUBLIC
UTILITIES COMPANY

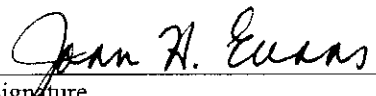
By: 
Signature

Its: President

By: 
Signature

Its: Treasurer

(CORPORATE SEAL)

Attest: 
Signature

Its: Secretary

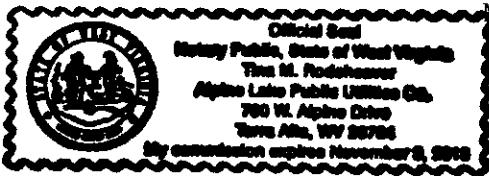
ACKNOWLEDGMENT

STATE OF WEST VIRGINIA)
)
COUNTY OF PRESTON) SS:

I, Tina M. Radheaver, a notary public in and for the state and county aforesaid, do certify that on this 8th day of August, 2006, before me appeared Ann Nelson, President of Alpine Lake Public Utilities Company, to me personally known, who being by me duly sworn, did acknowledge before me in my county aforesaid that she is the President of Alpine Lake Public Utilities Company and that the seal affixed to the foregoing Loan Agreement is the corporate seal of said corporation, and that the Loan Agreement was signed by her on behalf of the corporation by authority of its governing board, and she acknowledged the Loan Agreement to be the free act and deed of the corporation.

Given under my hand and official seal this 8th day of August, 2006.

(NOTARIAL SEAL)



My term of office as Notary expires November 3, 2013.

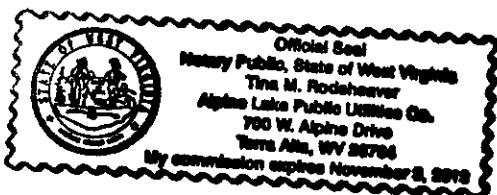
 Notary Signature Lina M. Rodriguez

[illegible]

I, TINA M. Rodeheaver a notary public in and for the state and county aforesaid, do certify that on this 8th day of August, 2006, before me appeared Judy Hay, Treasurer of Alpine Lake Public Utilities Company, to me personally known and who being by me duly sworn, did acknowledge before me in my county aforesaid that she is the Treasurer of Alpine Lake Public Utilities Company and that the seal affixed to the foregoing Loan Agreement is the corporate seal of the corporation and that the Loan Agreement was signed by her on behalf of the corporation by authority of its governing board, and she acknowledged the Loan Agreement to be the free act and deed of the corporation.

Given under my hand and official seal this 8th day of August, 2006.

(NOTARIAL SEAL)



My term of office as Notary expires November 3, 2013
Jana M. Rodchikova
 Notary Signature

**A CREDIT LINE DEED OF TRUST, FIXTURE FILING AND
SECURITY AGREEMENT**

**THIS INSTRUMENT SECURES AN OBLIGATION THAT MAY INCREASE AND
DECREASE FROM TIME TO TIME**

This Credit Line Deed of Trust, Fixture Filing and Security Agreement (this "Deed of Trust"), made this 8th day of August, 2006, but effective on the 10th day of August, 2006, among Grantor, Alpine Lake Public Utilities Company, a non-profit corporation organized and existing under the laws of the State of West Virginia, whose address is 700 West Alpine Drive, Terra Alta, West Virginia 26764 (the "Borrower"), and Robert M. Steptoe, III, State Director of the United States Department of Agriculture for the State of West Virginia, who is a resident of Monongalia County, West Virginia, and his successors in office, as trustee (the "Trustee") for the benefit of the United States of America (the "Government"), acting through the Rural Utilities Service or its successor agency, United States Department of Agriculture, whose address is Randolph Center Building, 1200 Harrison Avenue, Suite 150, Elkins, West Virginia 26241, WITNESSETH THAT:

The Government has lent the Borrower money as evidenced by one or more promissory note(s). If more than one note is described below, the word "Note" as used herein shall be construed as referring to each note singly or all notes collectively, as the context may require and all of them shall have Equal lien under this instrument without regard to their priority in time, maturity, or otherwise. The Note has been executed by the Borrower, is payable to the order of the Government in installments as specified therein, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by the Borrower, and is further described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
August 10, 2006	\$1,700,000	4.375%	August 10, 2046
August 10, 2006	\$913,000	4.375%	August 10, 2046

The Government may assign the Note at any time. The Government may also insure the payment of the Note pursuant to the Consolidated Farm and Rural Development Act.

Whenever the Note is held either by the Government or by an uninsured holder, this instrument shall secure payment of the Note. Whenever the Note is held by an insured holder, however, this instrument shall not secure payment of the Note or attach to the underlying debt. In that event, this instrument shall constitute an indemnity mortgage to secure any payments to an insured holder of the Note or other advances which the Government may be required to make upon default by the Borrower. The insured holder shall have no right, title or interest in or to the lien of this instrument or its benefits. This instrument also secures the Borrower's obligations and covenants under other instruments delivered in connection with the loan evidenced by the Note, including the Borrower's Loan Agreement of even date and its Loan Resolution referred to therein, both of which are hereby incorporated herein by reference. The Note, Loan Agreement, Loan Resolution and this instrument together with any supplements, amendments, attachments, modifications, additions and related financing statements are collectively referred to as the "Loan Instruments".

The lien of this instrument shall extend to and cover all property and property rights, real or personal and of whatever character or nature, that may at any time hereafter be acquired, owned, held, possessed, or enjoyed in any manner by Borrower in or on the premises described below.

NOW THEREFORE, in consideration of the loan(s) as evidenced and described by the Note described above the Borrower does hereby grant, assign, and convey to the Trustee, his successors, Grantees and assigns, in fee simple forever, the following property:

[SEE ATTACHED EXHIBIT A]

TOGETHER with all easements and rights of way used in connection with the premises or as a means of access thereto.

TOGETHER with all improvements now on the premises or hereafter placed thereon, including, without limitation, all heating, lighting, refrigeration, plumbing ventilating, incinerating, water heating, cooling and air-conditioning equipment and apparatus and all appurtenances now and hereafter placed or installed within or about such improvements, including all improvements used in connection with the water system operated by the Borrower, and all renewals, replacements, and substitutions therefor, all of which are hereby deemed a part of the realty.

TOGETHER with all fixtures, machinery, appliances, and equipment of every nature and kind whether now on the premises or hereafter to be placed or installed therein or thereon, appurtenant to the buildings erected or to be erected on the premises or appurtenant to the water system operated by the Borrower on the premises, all of which are hereby deemed a part of the realty as between borrower and the Government, their successors and assigns, and a portion of the security for the indebtedness herein mentioned and to be conveyed by this instrument.

TOGETHER with all chattels and articles of personal property owned by Borrower in, or used in connection with, the operation, possession, and enjoyment of, the premises, whether attached or unattached to the freehold, including all chattels and articles of personal property hereafter acquired by Borrower or any subsequent owner of the premises in addition to, substitution for, or replacement of any of the chattels or articles of personal property now in, or used in connection with, the premises. This instrument shall constitute a security agreement with respect to any and all of the above-described chattels and articles of personal property. At the request of the Government, Borrower shall join with the Government in executing one or more financing statements pursuant to the Uniform Commercial Code, in form satisfactory to Government, and will pay for filing the same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by Government.

TOGETHER with the rents, issues, and profits of the premises, subject, however, to the right reserved by Borrower to collect and apply such rents, issues, and profits prior to any default hereunder.

PROVIDED, HOWEVER, that with respect to any goods above which are or become fixtures and proceeds thereof this instrument shall also serve as a fixture filing pursuant to §46-9-502(c) of

the West Virginia Code without the necessity of filing a fixture financing statement under the Uniform Commercial Code, and this instrument is to be filed of record in the real estate records of Preston County as a fixture filing.

All of the foregoing property is hereinafter collectively referred to for convenience of reference as the "Encumbered Property".

IN TRUST, to secure (a) payment of the Note in accordance with its terms, including any extensions or renewals thereof, whenever the Note is held by either the Government or by an uninsured holder; (b) repayment, with interest, of any payments, advances and expenditures made by the Government hereunder or under any of the Loan Instruments; (c) performance of every covenant and agreement of the Borrower's contained in this or any other Loan Instrument; and (d) all future advances made hereunder to the Borrower by the Government from time to time.

This is a Credit Line Deed of Trust for the purposes of West Virginia Code section 38-1-14. This Credit Line Deed of Trust secures a maximum principal amount of \$2,613,000, exclusive of interest, insurance premiums and other obligations undertaken by the Government or the Trustee. This Deed of Trust secures future advances which the Government has agreed to make in accordance with the terms and provisions of the Loan Instruments which FUTURE ADVANCES are intended to be OBLIGATORY within the meaning of West Virginia Code Section 38-1-14.

The address of the Government to which creditors of the Borrower should send written notice before extending credit or otherwise advancing funds to Borrower, as contemplated by West Virginia Code 38-1-14(e) is as follows: United States Department of Agriculture, Rural Utilities Service, Randolph Center Building, 1200 Harrison Avenue, Suite 150, Elkins, WV 26241.

The Borrower, for itself, its successors and assigns, WARRANTS the Encumbered Property to the Trustee against the lawful claims of all persons whose claims are not based upon liens, encumbrances, easements or reservations specified above.

The Borrower, for itself, its successors and assigns, COVENANTS AND AGREES as follows:

- (1) Borrower will promptly pay any indebtedness secured by this instrument when due.
- (2) Borrower will indemnify the Government against any loss which the Government may incur as a result of making payments to an insured holder of the Note after the borrower's default.
- (3) Borrower will pay the Government any fees or other charges required under regulations of the Rural Utilities Service.
- (4) Borrower will pay when due all taxes, liens, judgments, encumbrances and assessments lawfully attaching to or assessed against the Encumbered Property, and, without demand will also provide the Government with proof of those payments.
- (5) Borrower will pay the Government for any expenses necessary or incidental of (a) the protection of the lien or priority of any Loan Instrument and to (b) the enforcement

of or compliance with the provisions of any Loan Instrument. "Expenses" includes (without limitation) costs of evidence of title, surveys, recording fees, attorneys' fees and trustees' fees, as well as court costs and expenses of advertising, selling and conveying the Encumbered Property or any portion of it.

- (6) Borrower will use the loan evidenced by the Note solely for the purpose authorized by the Government.
- (7) Borrower will keep the Encumbered Property insured as required by the Government and will deliver the originals of all insurance policies to the Government for safekeeping if so requested.
- (8) Borrower will comply with all laws, ordinances and regulations affecting the Encumbered Property and the conduct of Borrower's business operations.
- (9) Borrower will maintain the Encumbered Property in good repair and make any repairs the Government may require.
- (10) Borrower will operate the Encumbered Property in a good and efficient manner and will comply with management plans and practices which the Government may prescribe from time to time.
- (11) Borrower will not abandon the Encumbered Property; effect waste, lessening, or impairment of the Encumbered Property; or cut, remove or lease any timber, gravel, oil, gas, coal or other minerals.
- (12) Borrower will not (except as may be authorized in the Loan Agreement or Loan Resolution or as may be in the ordinary course of business) lease, assign, sell, transfer or further encumber the Encumbered Property or any nonexpendable part thereof, voluntarily or otherwise, either in whole or in part, without the prior written consent of the Government. This covenant may be modified by the Loan Agreement and does not preclude any lease, assignment, sale, transfer or further encumbrance of the Encumbered Property in the ordinary course of the Borrower's business.
- (13) The premises described herein was obtained or improved through Federal financial assistance. The Encumbered Property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the premises continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the Borrower owns it, whichever is longer.
- (14) If at any time it shall appear to the Government that the Borrower may be able to obtain a loan from a production credit association, a federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for the loans for similar purposes and period of time, the Borrower will, upon the Government's request, apply for and accept a loan in sufficient amount to pay the Note and any other indebtedness secured by this instrument and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such a loan.

- (15) The Government may require the Borrower to make additional monthly payments equal to one-twelfth of the estimated taxes, assessments, insurance premiums and other charges upon the Encumbered Property.
- (16) The Government and its agents may inspect the Encumbered Property at reasonable times to ascertain whether the Borrower is fulfilling its obligation under this or any other Loan Instrument.
- (17) The Government may at any time pay as advances for the Borrower's account any amounts which the Borrower is obligated to pay under any Loan Instrument and any expenses incurred by the Government in enforcing or protecting the Government's rights hereunder. The Government may exercise this right regardless whether advances exceed the face amount of the Note. Advances by the Government pursuant to the terms of this paragraph shall bear interest at the rate borne by the Note which bears the highest interest rate. Advances, with interest, shall be immediately due and payable by the Borrower at the place designated in the latest note. Advances under this paragraph shall neither relieve the Borrower of its obligation to pay nor cure any default under any Loan Instrument. Such advances together with interest accruing on them, shall automatically become a part of the debt secured by this instrument.
- (18) To the extent specified by the Government in writing, the Government in its sole discretion may grant an extension of the time for payment or reamortize the indebtedness secured by any Loan Instrument, release any party from liability to the Government, release portions of the Encumbered Property from the lien of any Loan Instrument, and waive any other Government right under any Loan Instrument without affecting the lien or priority of any Loan Instrument or the liability of the Borrower or any other party for payment of the indebtedness secured by any Loan Instrument.
- (19) The Government and its assigns are empowered to appoint a substitute trustee at anytime. This power may be exercised without giving any notice of rationale for its use. THE BORROWER WAIVES notice of the exercise of this power and any requirement of, or right to require, a bond from any substitute trustee. The power to appoint a substitute trustee shall be exercised by filing an instrument of appointment in the office where this instrument is recorded, whereupon the substitute trustee shall succeed to all the estates, rights, powers and trusts granted to or vested in the Trustee and the former trustee or substitute Trustee shall be divested.
- (20) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise.
- (21) The Government will not be bound by any present or future state laws (a) providing for valuation, appraisal, or exemption of the Property; (b) prohibiting or restricting an action for deficiency judgment or limiting the judgment amount which may awarded; (c) prescribing any statute of limitation; (d) allowing any right of redemption or possession the Government may impose by regulation as a condition of approving a transfer of the Encumbered Property to a new borrower. THE BORROWER WAIVES THE BENEFIT OF ANY SUCH STATE LAWS.

- (22) Should the Borrower DEFAULT on any of its obligations under any Loan Instrument; breach any of its warranties or covenants under any Loan Instrument; merge, dissolve, be the benefit of creditors, the Government may without notice (a) accelerate the entire indebtedness secured by this instrument by declaring it immediately due and payable; (b) charge the borrower's account for any reasonable expenses which the Government may pay or incur to maintain and repair the Encumbered Property; (c) operate or rent the Encumbered Property and apply any moneys received to the Borrower's account; (d) have a receiver appointed for the Encumbered Property who may exercise the usual powers of receivers in similar cases; and (e) authorize the Trustee to foreclose this and any other Loan Instrument and sell the Encumbered Property as a business unit without any requirement for marshaling of assets and without regard to whether the Encumbered Property is realty or personalty.
- (23) At the request of the Government, the Trustee may foreclose this instrument by advertisement and sale of the Encumbered Property as provided by law, for cash or secured credit as the Government may desire. Except to the extent it may be required by law, personal notice of sale need not be served on the Borrower. The sale may be adjourned from time to time without notice other than oral proclamation at the time and place originally appointed for the sale. At the sale, the Government and its agents may bid any purchase as a stranger. The Trustee, at his option, may conduct the sale without being personally present. The Trustee may authorize a delegate for that purpose, either orally or in writing. The Trustee's execution of a conveyance foreclosure sale shall be conclusive evidence that the sale was conducted in accordance with the provisions of the Loan Instruments, either by the Trustee personally or through his duly authorized delegates.
- (24) Proceeds of a foreclosure sale pursuant to any Loan Instrument shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions of any Loan Instrument; (b) any prior liens; (c) all indebtedness to the Government secured by this instrument; (d) inferior liens of record in their order of priority; (e) at the Government's option, any other indebtedness of the Borrower owing to or insured by the Government; and (f) any balance to Borrower.
- (25) If the Government is the successful bidder at a foreclosure sale under any Loan Instrument, any portion of the purchase price not owed to a third party may be paid by crediting that amount to any debts of the Borrower which are owed to or insured by the Government.
- (26) The Borrower hereby waives any requirement that the Trustee post a bond or provide other security before conducting a foreclosure sale pursuant to this Deed of Trust.
- (27) The rights and remedies provided in this instrument are cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity, by statute or by regulation.

- (28) A waiver, amendment, release or modification of this instrument may be effected only by a writing which has been duly executed by the Government and shall not be established by conduct, custom or course of dealing.
- (29) This instrument shall be subject to the present regulations of the Rural Utilities Service and to its future regulations not inconsistent with the express provisions of this instrument, and shall be construed and enforced in accordance with applicable federal law. In all other respects, this instrument shall be governed by the laws of the State in which it is recorded.
- (30) Default under this instrument shall constitute default under any other instruments of the Borrower held or insured by the Government and default under any other instrument constitutes default under this instrument.
- (31) The invalidity or unenforceability of any portion of this instrument shall not affect the validity or enforceability of the remaining portion of this instrument.
- (32) Notices to the Borrower shall be sent to its address as shown on the first page of this instrument. Notices to the Government shall be addressed to the United States Department of Agriculture, Rural Utilities Service, Randolph Center Building, 1200 Harrison Avenue, Suite 150, Elkins, WV 26241. For the purposes of §39-1-2 of the West Virginia Code, the immediately preceding address shall be deemed to be the address of the beneficial owner of the debt secured. Notices shall be sent by certified mail (postage prepaid) unless otherwise required by law. The Government and the Borrower may designate any further or different addresses to which subsequent notices shall be sent.
- (33) In the event that the Government at its option desires to extend additional credit to the Borrower from time to time, then the lien of this instrument shall automatically be extended to cover such indebtedness up to the maximum principal indebtedness stated herein. The Borrower shall evidence its consent by the execution and delivery of a Loan Resolution on Form RD 1780-28 and an additional note on Form RD 440-22, or their equivalents. In the event that at the time of the additional borrowing, the laws of the state in which this instrument is being recorded do not permit such future advances to enjoy the lien of this instrument, then the Borrower shall execute and deliver an additional deed of trust. Future deeds of trust may be in statutory form, with such additional provisions, either expressed or incorporated by reference to this deed of trust, as the Government and the Borrower agree upon. Nothing contained in this section shall be construed to require the Government to evidence and secure obligatory advances under the Note or protective advances under this instrument with the additional notes and deeds of trust.

IN WITNESS WHEREOF, the Borrower has caused this Deed of Trust to be executed by its President and Treasurer and its corporate seal to be affixed and attested by its Secretary, all as of this 8th day of August, 2006.

(CORPORATE SEAL)

ALPINE LAKE PUBLIC
UTILITIES COMPANY

ATTEST: _____
Secretary

BY: _____
President

BY: _____
Treasurer

ACKNOWLEDGMENTS

[illegible]

I, _____, a notary public in and for the state and county aforesaid, do certify that on this 8th day of August, 2006, before me appeared Ann Nelson, President of Alpine Lake Public Utilities Company, to me personally known, who being by me duly sworn, did acknowledge before me in my county aforesaid that she is the President of Alpine Lake Public Utilities Company and that the seal affixed to the foregoing Deed of Trust is the corporate seal of the corporation, and that the Deed of Trust was signed by her on behalf of the corporation by authority of its governing board, and she acknowledged the Deed of Trust to be the free act and deed of the corporation.

Given under my hand and official seal this 8th day of August, 2006.

(NOTARIAL SEAL)

My commission expires _____.

Notary Signature

[illegible]

I, _____, a notary public in and for the state and county aforesaid, do certify that on this 8th day of August, 2006, before me appeared Judy Hay, Treasurer of Alpine Lake Public Utilities Company, to me personally known, who being by me duly sworn, did acknowledge before me in my county aforesaid that she is the Treasurer of Alpine Lake Public Utilities Company and that the seal affixed to the foregoing Deed of Trust is the corporate seal of the corporation, and that the Deed of Trust was signed by her on behalf of the corporation by authority of its governing board, and she acknowledged the Deed of Trust to be the free act and deed of the corporation.

Given under my hand and official seal this 8th day of August, 2006.

(NOTARIAL SEAL)

My commission expires _____

Notary Signature

This Instrument Prepared By:
 Steptoe & Johnson PLLC
 Thomas L. Aman, Jr., Esquire
 P.O. Box 2190
 Clarksburg, WV 26302-2190

IN WITNESS WHEREOF, the Borrower has caused this Deed of Trust to be executed by its President and Treasurer and its corporate seal to be affixed and attested by its Secretary, all as of this 8th day of August, 2006.

(CORPORATE SEAL)

ALPINE LAKE PUBLIC
UTILITIES COMPANY

ATTEST: *Joan H. Evans*
Secretary

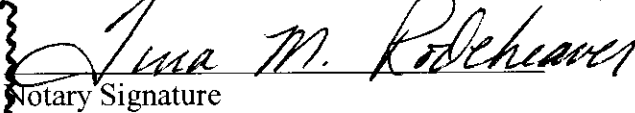
BY: *Alm Nelson*
President

BY: *Judith Hay*
Treasurer

[illegible]

Given under my hand and official seal this 8th day of August, 2006.

My commission expires November 3, 2013

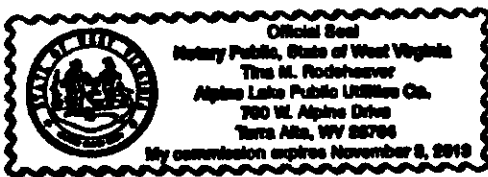


[illegible]

I, TINA M. Rodeheaver, a notary public in and for the state and county aforesaid, do certify that on this 8th day of August, 2006, before me appeared Judy Hay, Treasurer of Alpine Lake Public Utilities Company, to me personally known, who being by me duly sworn, did acknowledge before me in my county aforesaid that she is the Treasurer of Alpine Lake Public Utilities Company and that the seal affixed to the foregoing Deed of Trust is the corporate seal of the corporation, and that the Deed of Trust was signed by her on behalf of the corporation by authority of its governing board, and she acknowledged the Deed of Trust to be the free act and deed of the corporation.

Given under my hand and official seal this 8th day of August, 2006.

(NOTARIAL SEAL)



My commission expires November 3, 2013

~~Notary Signature~~

This Instrument Prepared By:
 Steptoe & Johnson PLLC
 Thomas L. Aman, Jr., Esquire
 P.O. Box 2190
 Clarksburg, WV 26302-2190

USDA

Form RD 440-22

(Rev. 6-98)

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

STATE
COUNTY
CASE NO.
FINANCE OFFICE USE ONLY
F LN LC IA

KIND OF LOAN:

☒ ASSOCIATION- ORGANIZATION

☐ HOUSING - ORGANIZATION

☐ PUBLIC BODY

☐ OTHER

SPECIMEN

Note Number: AR-1

Date: August 10, 2006

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 ONE MILLION SEVEN HUNDRED THOUSAND AND 00/100 dollars (\$1,700,000), plus interest on the principal balance at the rate of 4.375 percent (4.375%) 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 \$7,667, 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.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING-ORGANIZATION" is checked. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

(CORPORATE SEAL)

ATTEST:

Alpine Lake Public Utilities Company

(Name of Borrower)

Ann Nelson

(Signature of Executive Official)

President

(Title of Executive Official)

Judith Hays

(Signature of Executive Official)

Treasurer

(Title of Executive Official)

Ann H. Evans

(Signature of Attesting Official)

700 West Alpine Drive

(Post Office Box No. or Street Address)

Secretary

(Title of Attesting Official)

Terra Alta, WV 26764

(City, State, and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1)\$ 141,600	August 10, 2006	(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

USDA

Form RD 440-22

(Rev. 6-98)

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

STATE
COUNTY
CASE NO.
FINANCE OFFICE USE ONLY
F LN LC IA

KIND OF LOAN:

☒ ASSOCIATION - ORGANIZATION

☐ HOUSING - ORGANIZATION

☐ PUBLIC BODY

☐ OTHER

SPECIMEN

Note Number: BR-1

Date: August 10, 2006

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 NINE HUNDRED THIRTEEN THOUSAND AND 00/100 dollars (\$913,000), plus interest on the principal balance at the rate of 4.375 percent (4.375%) 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 \$4,118, 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

7B

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.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING-ORGANIZATION" is checked. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

(CORPORATE SEAL)

ATTEST:

Alpine Lake Public Utilities Company

(Name of Borrower)

Ann Nelson
(Signature of Executive Official)

President

(Title of Executive Official)

Judith Hays
(Signature of Executive Official)

Treasurer

(Title of Executive Official)

John H. Eason
(Signature of Attesting Official)

700 West Alpine Drive
(Post Office Box No. or Street Address)

Secretary

(Title of Attesting Official)

Terra Alta, WV 26764
(City, State, and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1)\$		(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
WATER REVENUE NOTE, SERIES 2006 A and
WATER REVENUE NOTE, SERIES 2006 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

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	August 10, 2006	United States of America	<i>John H. Lucas</i>
BR- 1	August 10, 2006	United States of America	<i>John H. Lucas</i>

08/07/06
012210.00003

August 10, 2006

Alpine Lake Public Utilities Company
Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(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 \$1,700,000 Water Revenue Note, Series 2006 A (United States Department of Agriculture), dated the date hereof (the "Series 2006 A Note"), and its \$913,000 Water Revenue Note, Series 2006 B (United States Department of Agriculture), dated the date hereof (the "Series 2006 B Note") (collectively, the "Series 2006 Notes"), 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 resolution of the Issuer duly adopted August 8, 2006 (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 2006 Notes, 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 2006 Notes.

4. The Series 2006 Notes have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the 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, 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 2006 Notes have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Series 2006 Notes 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 2006 Notes.

It is to be understood that the rights of the holders of the Series 2006 Notes and the enforceability of the Series 2006 Notes, 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

August 10, 2006

Alpine Lake Public Utilities Company
Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(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 Water Revenue Note, Series 2006 A (United States Department of Agriculture), dated the date hereof, issued in the original aggregate principal amount of \$1,700,000 (the "Series 2006 A Note"), and the issuance of the Water Revenue Note, Series 2006 B (United States Department of Agriculture), dated the date hereof, issued in the original aggregate principal amount of \$913,000 (the "Series 2006 B Note") (collectively, the "Series 2006 Notes"), (ii) the Loan Resolution Security Agreement duly adopted by the Issuer on August 8, 2006 (the "Note Legislation"), (iii) a Credit Line Deed of Trust, Fixture Filing and Security Agreement dated August 8, 2006 (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 August 10, 2006 (the "Loan Agreement") by and between the Issuer and the Purchaser, (v) a UCC-1 Financing Statement securing the Series 2006 Notes (the "Financing Statement") and other documents, papers, agreements, instruments and certificates relating to the Series 2006 Notes 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:

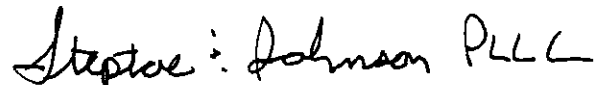
1. The Issuer is duly created and validly existing under the laws of the State of West Virginia as a nonprofit corporation, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Note Legislation, and to issue the Series 2006 Notes, all under 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 2006 Notes have 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 2006 Notes, the Deed of Trust, the Loan Agreement and the Financing Statement and the consummation of the transactions contemplated by the Series 2006 Notes, 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 2006 Notes, 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 2006 Notes, the acquisition and construction of the Project, the operation of the System, the validity of the Series 2006 Notes, the collection of the Gross Revenues or the pledge of the Gross Revenues, property, and accounts receivable of the waterworks system to the payment of the Series 2006 Notes.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Steptoe & Johnson PLLC", is written over the typed name.

STEPTOE & JOHNSON PLLC

08/04/06
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CL1031721.2



Reeder & Dunham,^{PLLC}
ATTORNEYS AND COUNSELORS AT LAW

Jeffrey C. Dunham
Joseph K. Reeder

August 10, 2006

Alpine Lake Public Utilities Company
Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(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

Step toe & Johnson PLLC
Morgantown, West Virginia

Ladies and Gentlemen:

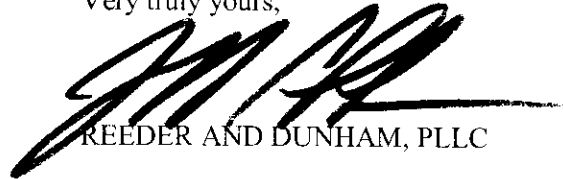
We are special counsel to Alpine Lake Public Utilities Company in Preston County, West Virginia (the "Issuer"). As such counsel, we have represented the Issuer before the Public Service Commission of West Virginia (the "Commission") in connection with obtaining a certificate of public convenience and necessity for the project which will be financed through the issuance of the above-referenced notes (the "Series 2006 Notes") by the Issuer.

We are of the opinion that the Issuer has received the Commission Order of the Commission dated November 3, 2005, and the Commission Order dated August 3, 2006, in Case No. 05-0733-W-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 waterworks system. 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 waterworks system into full force and effect upon completion of construction of the Project. 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 May 23, 2006, in Case No. 06-0429-W-PC, approving the Waterworks System Agreement dated March 18, 2006, 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.

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

Very truly yours,



REEDER AND DUNHAM, PLLC

08/04/06
012210.00003

ALPINE LAKE PUBLIC UTILITIES COMPANY

Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(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 August, 2006, in connection with the issuance by the Issuer of its Water Revenue Note, Series 2006 A (United States Department of Agriculture) (the "Series 2006 A Note") and its Water Revenue Note, Series 2006 B (United States Department of Agriculture) (the "Series 2006 B Note") (collectively, the "Series 2006 Notes") 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 2006 Notes 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 May 25, 2004, and Amendment No. 1 of said Letter of Conditions, dated June 2, 2006, and all amendments thereto, and as appears in the Loan Resolution Security Agreement of the Issuer duly adopted August 8, 2006, authorizing issuance of the Series 2006 Notes (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 2006 Notes are 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 2006 Notes, 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 2006 Notes, or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 2006 Notes, the pledge or application of the Gross Revenues or any other monies or security provided for the payment of the Series 2006 Notes, the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Series 2006 Notes, 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 waterworks system as security for the Series 2006 Notes.

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 2006 Notes 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 2006 Notes 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 Terra Alta Bank, dated March 24, 2005, issued in the original principal amount of \$24,113; and (vi) 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 2006 A Promissory Note

Series 2006 B 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

Water 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, 2004	June 30, 2007
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 2005-2006 are as follows:

President	-	Ann Nelson
Vice President	-	Dean Riley

Vice President	-	Joan Evans
Treasurer	-	Judy Hay
Secretary	-	Leonard Wierzbicki

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 2006 Notes 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 2006 Notes were 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 2006 Notes had 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 2006 A Note, the amount of \$141,600 was received by the undersigned President, being a portion of the principal amount of the Series 2006 A Note. Further advances of the balance of the principal amount of the Series 2006 A Note will be advanced to the Issuer as acquisition and construction of the Project progresses.

At the time of delivery of the Series 2006 B Note, the amount of \$ 0 was received by the undersigned President, being a portion of the principal amount of the Series 2006 B Note. Further advances of the balance of the principal amount of the Series 2006 B Note will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Series 2006 Notes are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.375% 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 2006 Notes.

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 Commission Order of the Public Service Commission of West Virginia entered on August 3, 2006, in Case No. 05-0733-W-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 Commission Order of the Public Service Commission of West Virginia entered on November 3, 2005, and the Commission Order entered on August 3, 2006, in Case No. 05-0733-W-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: A. On the date hereof, the undersigned President and Treasurer did officially sign the Series 2006 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 2006 A Note and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Series 2006 A Note to the Purchaser as the original purchaser of the Series 2006 A Note. Said official seal is also impressed above the signatures appearing on this certificate.

B. On the date hereof, the undersigned President and Treasurer did officially sign the Series 2006 B Note, number BR-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 2006 B Note and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Series 2006 B Note to the Purchaser as the original purchaser of the Series 2006 B Note.

15. SPECIMEN NOTES: Delivered concurrently herewith are true and accurate specimens of the Series 2006 A Note and the Series 2006 B 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 2006 Notes, 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 2006 Notes.

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

Ann Nelson

President

John H. Evans

Secretary

Judith Hay

Treasurer

08/7/06
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ALPINE LAKE PUBLIC UTILITIES COMPANY

Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(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 that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks 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 Notes 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.

WITNESS my signature on this 10th day of August, 2006.



GREENHORNE & O'MARA, INC.

A handwritten signature of Steven A. Cain in black ink, written over a horizontal line.

Steven A. Cain, P.E.
West Virginia License No. 15264

07/30/06
012210.00003

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

NEW ISSUE REPORT FORM

Date of Report: August 10, 2006

ISSUE: <u>Alpine Lake Public Utilities Company Water Revenue Note, Series 2006 A (United States Department of Agriculture)</u>		
ADDRESS: <u>700 West Alpine Drive, Terra Alta, West Virginia 26764</u>		COUNTY: <u>Preston</u>
PURPOSE OF ISSUE: New Money: <u>X</u> Refunding: _____	REFUNDS ISSUE(S) DATED: <u>N/A</u>	
ISSUE DATE: <u>August 10, 2006</u>	CLOSING DATE: <u>August 10, 2006</u>	
ISSUE AMOUNT: <u>\$ 1,700,000</u>	RATE: <u>4.375%</u>	
1ST DEBT SERVICE DUE: <u>N/A</u>	1ST PRINCIPAL DUE: <u>N/A</u>	
1ST DEBT SERVICE AMOUNT: <u>N/A</u>	PAYING AGENT: <u>Issuer</u>	
BOND COUNSEL: <u>Steptoe & Johnson PLLC</u> Contact Person: <u>Vincent A. Collins, Esquire</u> Phone: <u>304.598.8161</u>		
UNDERWRITERS COUNSEL: _____ Contact Person: _____ Phone: _____		
CLOSING BANK: <u>Clear Mountain Bank</u> Contact Person: <u>Kathy Roy, Branch Manager</u> Phone: <u>(304) 789-2436</u>		
ESCROW TRUSTEE: _____ Contact Person: _____ Phone: _____		
KNOWLEDGEABLE ISSUER CONTACT Contact Person: <u>Ann Nelson</u> Position: <u>President</u> Phone: <u>(304) 789-6996</u>		
OTHER: <u>United States Department of Agriculture</u> Contact Person: <u>Joe Crickenberger</u> Function: <u>Rural Development Specialist</u> Phone: <u>(304) 636-2158</u>		
DEPOSITS TO MBC AT CLOSE: By: _____ Wire _____ _____ Check _____ _____ Other: _____ Accrued Interest: \$ _____ Capitalized Interest: \$ _____ Reserve Account: \$ _____ Other: \$ _____		
REFUNDS & TRANSFERS BY MBC AT CLOSE By: _____ Wire _____ _____ Check _____ _____ IGT _____ To Escrow Trustee: \$ _____ To Issuer: \$ _____ To Cons. Invest. Fund: \$ _____ To Other: \$ _____		
NOTES: <u>Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2006 A Note Reserve Account. Payments into the Series 2006 A Note Reserve Account will commence 24 months following the date hereof.</u>		
FOR MUNICIPAL BOND COMMISSION USE ONLY: DOCUMENTS REQUIRED: _____ TRANSFERS REQUIRED: _____		

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

NEW ISSUE REPORT FORM

Date of Report: August 10, 2006

ISSUE: Alpine Lake Public Utilities Company Water Revenue Note, Series 2006 B (United States Department of Agriculture)

ADDRESS: 700 West Alpine Drive, Terra Alta, West Virginia 26764 COUNTY: Preston

PURPOSE OF ISSUE: New Money: X
Refunding: _____ REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: August 10, 2006 CLOSING DATE: August 10, 2006

ISSUE AMOUNT: \$ 913,000 RATE: 4.375%

1ST DEBT SERVICE DUE: N/A 1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A PAYING AGENT: Issuer

BOND COUNSEL: Stephoe & Johnson PLLC
Contact Person: Vincent A. Collins, Esquire
Phone: 304.598.8161

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: Clear Mountain Bank
Contact Person: Kathy Roy, Branch Manager
Phone: (304) 789-2436

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Ann Nelson
Position: President
Phone: (304) 789-6996

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 _____ Accrued Interest: \$ _____
_____ Check _____ Capitalized Interest: \$ _____
_____ Other: _____ Reserve Account: \$ _____
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____ To Escrow Trustee: \$ _____
_____ Check _____ To Issuer: \$ _____
_____ IGT _____ To Cons. Invest. Fund: \$ _____
_____ To Other: _____ \$ _____

NOTES: Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2006 B Note Reserve Account. Payments into the Series 2006 B Note Reserve Account will commence 24 months following the date hereof.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

26B

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

07/30/06
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ALPINE LAKE PUBLIC UTILITIES COMPANY

Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, Kathy Roy, the undersigned duly authorized representative of Clear Mountain Bank, Terra Alta, West Virginia (the "Bank"), hereby certify that on the 10th day of August, 2006, the Bank received an automated transfer in the amount of \$ 141,600 to the credit of the Project Construction Account, Account Number 1122193 for the Series 2006 A Note and the Series 2006 B Note.

WITNESS my signature on this 10th day of August, 2006.

CLEAR MOUNTAIN BANK

By: Kathy Roy
Its: Authorized Officer

08/07/06
012210.00003

ALPINE LAKE PUBLIC UTILITIES COMPANY

Water Revenue Note, Series 2006 A and
Water Revenue Note, Series 2006 B
(United States Department of Agriculture)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Clear Mountain Bank, Terra Alta, West Virginia, hereby accepts appointment as Depository Bank in connection with the Loan Resolution Security Agreement of Alpine Lake Public Utilities Company, a West Virginia nonprofit corporation (the "Issuer") adopted August 8, 2006, (the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Note, Series 2006 A (United States Department of Agriculture) dated August 10, 2006, issued in the principal amount of \$1,700,000 (the "Series 2006 A Note"), and the Water Revenue Note, Series 2006 B (United States Department of Agriculture), dated August 10, 2006, issued in the principal amount of \$913,000 (the "Series 2006 B Note"), and agrees to serve as Depository Bank in connection with the Series 2006 A Note and the Series 2006 B Note, all as set forth in the Note Legislation.

WITNESS my signature on this 10th day of August, 2006.

CLEAR MOUNTAIN BANK

By: Kathy Roy
Its: Authorized Officer

07/30/06
012210.00003