

THE TOWN OF CEDAR GROVE, WEST VIRGINIA
\$222,000 Sewer Revenue Bonds, Series 1994
Closing: September 2, 1994

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

BOND ORDINANCE

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BOND ORDINANCE

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, IMPROVEMENTS AND BETTERMENTS TO THE EXISTING SEWER SYSTEM OF THE TOWN OF CEDAR GROVE, WEST VIRGINIA AND THE FINANCING OF THE COSTS THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF CEDAR GROVE OF NOT MORE THAN \$250,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF THE BONDS; AND ADOPTING OTHER PROVISIONS RELATED THERETO.

Be It Enacted And Ordained By The Council Of The Town Of Cedar Grove, West Virginia:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms shall have the following meanings in this Ordinance unless the context expressly requires otherwise:

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

"Advance-Refunded Municipal Bonds" shall mean obligations, the interest on which is excludable from gross income for Federal income tax purposes, which have been advance-refunded prior to their maturity and are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, and which obligations are serial bonds or term bonds not callable prior to maturity except at the option of the holder or owner thereof.

"Authorized Officer" means the Mayor of the Town or any acting Mayor duly appointed or any other officer duly so authorized by the Council as hereinafter defined.

"Bond" or "Bonds" means the Original Bonds, as hereinafter defined, and any additional parity bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 4.01(3) hereof.

"Bondholder," "Registered Owner" or "Owner of the Bonds" or any similar term means any person who shall be the registered owner, as shown by the Bond Register, of any outstanding Bond.

"Bond Register" means the books of the Town maintained by the Bond Registrar, as hereinafter defined, for the registration and transfer of Bonds.

"Bond Registrar" means the Registrar for the Bonds, which shall be appointed by a resolution supplemental hereto.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Bonds in substantially the form set forth in the Bond form contained herein.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or to any predecessors or successors thereto.

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

"Consulting Engineers" means Dunn Engineers, Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewer systems that shall at any time be retained by the Town as consulting engineers for the System, as hereinafter defined.

"Costs" or "Costs of Project" or any similar phrase means those costs described in Section 1.03(H) hereof to be a part of the cost of the acquisition and construction of the Project, as hereinafter defined.

"Council" means the Town Council of the Town or any other governing body of the Town that succeeds to the functions of the Council as presently constituted and shall be deemed to refer also to the Sanitary Board of the Town to the full extent of the powers relating to the System, as hereinafter defined, conferred upon said Sanitary Board.

"Depository Bank" means the bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, designated as such by a resolution supplemental hereto, and any successor thereto.

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

"EPA Grant" means the Step II/III grant from EPA awarded September 28, 1987, pursuant to an EPA Assistance Agreement, as it may be supplemented or amended.

"Event of Default" means any event or occurrence specified in Section 7.01.

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

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

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

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

"Grant Receipts" means all moneys received by the Town on account of any Grant to pay Costs of the Project; provided that "SCB Grant Receipts" means only Grant Receipts on account of the EPA Grant, "KCC Grant Receipts" means only the Grant Receipts on account of the KCC Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant, the SCB Grant, the KCC Grant and the Other Grants, if any, as hereinafter defined.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting

principles, after deduction of prompt payment discounts, if any, and reasonable provisions for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or Tap Fees, as hereinafter defined.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall be retained by the Town to prepare an independent annual or special audit of the accounts of the System, as hereinafter defined, or for any other purpose except keeping the accounts of such System in the usual operations of its business and affairs.

"KCC Grant" means the grant from The County Commission of Kanawha County, West Virginia, in the amount of \$234,482, awarded pursuant to a letter of intent dated December 23, 1986.

"Loan Agreement" means the loan agreement or loan agreements to be entered into between the Town and the Original Bonds Purchaser; pursuant to which the Original Bonds Purchaser shall agree, subject to the Town's satisfying certain legal and other requirements, to purchase the Original Bonds originally authorized hereby, which shall be approved by the Supplemental Resolution.

"Mayor" means the Mayor of the Town.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs of Project, fees and expenses of the fiscal agents, registrars, paying agents, trustees, Original Bonds Purchaser, and the Depository Bank, other than those capitalized as part of the Costs of Project, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption, if any, or interest on the Bonds, charges for depreciation, losses from the sale of other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Ordinance," regardless of whether preceded by the article "the" or "this," means this Ordinance as it may hereafter from time to time be amended or supplemented.

"Original Bonds" means the not more than \$250,000 in aggregate principal amount of Sewer Revenue Bonds originally authorized hereby to pay a portion of the Costs of the Project.

"Original Bonds Purchaser" or "Authority" or "WDA" means the West Virginia Water Development Authority as the purchaser of the Original Bonds or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Other Grants" means any grant other than the EPA Grant, the SCB Grant on the KCC Grant, hereafter received by the Town to aid in financing any portion of the Costs of Project.

"Outstanding," when used with reference to Bonds, as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond cancelled by the respective registrars at or prior to said date; (b) any Bond for the payment of which monies equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided in Section 9.01 hereof; and (d) with respect to determining a specified percentage of Registered Owners for the purpose of consents, notices and the like, any Bond registered to the Town.

"Parity Bonds" means any additional bonds issued under the provisions and within the limitations prescribed by Section 6.08 hereof, payable from net revenues on a parity with the Original Bonds.

"Paying Agent" means the Commission.

"Program" means the Original Bonds Purchaser's loan program, under which the Original Bonds Purchaser purchases the revenue bonds of local government entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds of the Original Bonds Purchaser or any successor to said Program as currently constituted.

"Project" means the extensions, improvements and betterments to the existing sewer system of the Town described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia or any other agency of the State that succeeds to the functions of the PSC.

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

(a) Government Obligations;

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

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

(d) Time accounts, (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that such Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time account or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time account;

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

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

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of

Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Recorder" means the Recorder of the Town.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 4.01(2).

"Reserve Account" means the account in the Sinking Fund, as hereinafter defined, created by Section 4.02(1)(a).

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

"Revenue Fund" means the revenue fund created by Section 4.01(1).

"Sanitary Board" or "Board" means the Sanitary Board of the Town established by an ordinance duly enacted by the Council of the Town on September 28, 1993, and any successors to the functions thereof.

"SCB Grant" means the Small Cities Block Grant from the United States Department of Housing and Urban Development in the amount of \$750,000, awarded pursuant to a letter agreement dated May 25, 1988.

"Sinking Fund" means the Sinking Fund established for the Bonds by Section 4.02(1).

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article the, refers specifically to the Supplemental Resolution authorizing the sale of the Original Bonds; provided, that any provision intended to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Ordinance to be set aside and held in, including but not limited to, the sinking fund, the reserve account and the renewal and replacement fund for the payment of or security for the Bonds or any other obligations of the Town, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the works for the collection and/or treatment, purification and disposal of sewage, in its entirety or any integral part thereof, owned by the Town under the supervision and control of the Sanitary Board, and any additions, improvements or betterments thereto or hereafter constructed or acquired from any sources whatsoever and includes the Project.

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

"Town" means The Town of Cedar Grove, a municipal corporation, in Kanawha County, West Virginia, and, where appropriate, also means the Council thereof and any department, board, agency or instrumentality thereof in control of the management and operation of the System, as hereinafter defined.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine or neuter gender shall include all other genders.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with general accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of the enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority of This Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared that:

(A) The Town currently owns and operates public works for the collection and disposal of sewage. The Town has been advised that its present System is in violation of the Clean Water Act and the System is currently being operated pursuant to a consent decree from the West Virginia Division of Natural Resources. The Project will include the acquisition and construction of a collection system, interruption sewers, a lift station and a force main and will transport to sewage to the Chelyan Public Service District (the "District") for treatment. The Town has entered into a construction and treatment agreement

with the District, which agreement has been approved by the PSC. Additionally, the Project will allow the Town to serve residents who are currently unserved.

(B) In accordance with Section 18 of the Act, the System is under the supervision and control of the Sanitary Board.

(C) The Sanitary Board has presented a petition to the Town for the acquisition and construction of the Project, the enactment of this Ordinance and the issuance of the Bonds.

(D) The Town has been awarded the EPA Grant by that certain EPA Assistance Agreement dated September 28, 1987, an SCB Grant awarded by letter dated May 25, 1988 and the KCC Grant by letter dated December 23, 1986. All grant awards are currently in full force and effect.

(E) It is further deemed necessary and desirable for the health, welfare and safety of the inhabitants of the Town that the Project be acquired and constructed in accordance with the plans and specifications to be prepared by the Consulting Engineers, subject to the approval of the EPA, the issuance of a certificate of convenience and necessity by the PSC and specific authorization by a Supplemental Resolution.

(F) The estimated maximum cost of the construction of the Project is \$2,229,236, of which approximately \$222,304 will be permanently obtained from the proceeds of the Original Bonds herein authorized, approximately \$1,022,450 will be obtained from the EPA Grant, approximately \$750,000 will be obtained from the SCB Grant, and approximately \$234,482 will be obtained from the KCC Grant. The Town may obtain such Other Grants and contributions from other sources as may be necessary to pay Costs of Project.

(G) It is deemed necessary for the Town to issue its Original Bonds in an aggregate principal amount not to exceed \$250,000 to permanently finance the costs of acquisition and construction of the Project, including the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and the placing of the same in operation, and the performance of the things therein required or permitted, in connection with any thereof; the cost of designing the Project; interest on the Original Bonds prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of the Original Bonds Purchaser, registrars, paying agents, depositories or other agents in connection with the issuance of the Original

Bonds; and such other expenses as may be necessary or desirable for said acquisition and construction of the Project and placing the same in operation and the financing authorized by this Ordinance; provided that reimbursement to the Town for any amounts expended by it for allowable costs of the Project prior to the issuance of the Original Bonds or the repayment of indebtedness incurred by the Town for such purposes shall be deemed costs of the Project.

(H) The period of usefulness of the System after completion of the Project will not be less than forty years.

(I) The estimated Gross Revenues to be derived in each year after the enactment of this Ordinance from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, provide an adequate reserve fund and an adequate renewal and replacement fund and pay the principal of and interest on the Original Bonds authorized to be issued pursuant to this Ordinance.

(J) The Town has no outstanding debt secured by the revenue of the System. Upon the issuance of the Original Bonds, the Town will grant the Original Bonds Purchaser a first lien on the Net Revenues of the System.

(K) The Town has complied with all requirements of West Virginia law relating to the authorization of the construction, acquisition and operation of the Project and issuance of the Original Bonds, or will have so complied prior to issuance thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the PSC by final order not subject to appeal or rehearing.

(L) The Code provides exceptions from the rebate provisions for issues of small governmental units meeting certain requirements.

(M) It is in the best interest of the Town and its inhabitants to qualify for the small governmental unit exception from the rebate provisions.

(N) The Town is a governmental unit with general taxing powers.

(O) The Original Bonds are not private activity bonds as defined in the Code.

(P) Ninety-five percent (95%) or more of the net proceeds (as defined with respect to the Code) of the Original Bonds will be used for local governmental activities of the Town.

(Q) The Town reasonably expects that the aggregate face amount of all tax-exempt bonds (other than private activity bonds)

issued by the Town and all subordinate entities thereof during the calendar year in which the Original Bonds will be issued, will not exceed \$5,000,000. The Town reasonably expects to issue its Original Bonds, if any, in 1994.

(R) The Town shall not permit at any time any of the proceeds of the Bonds or other funds of the Town to be used directly or indirectly in an manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code.

(S) The Town will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds.

(T) The Bonds will not be federally guaranteed within the meaning of the Code.

(U) The Town and all subordinate entities do not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the calendar year 1994, and hereby designate the Bonds as "Qualified Tax-Exempt Obligations" as defined in Section 265(b)(3)(B) of the Code.

Section 1.04. Ordinance Constituting Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Town and such Registered Owners, and the covenants and agreements herein set forth to be performed by said Town shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds authorized to be issued hereunder all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Construction and Acquisition. There is hereby authorized the construction and acquisition of the Project in accordance with plans and specifications prepared therefor by the Consulting Engineers and on file with the Town Recorder; provided, that such plans and specifications, and the acquisition and construction of the Project in accordance therewith, are subject to the approval of the EPA, to the issuance by the PSC of a certificate of convenience and necessity and to specific authorization by the Council pursuant to a Supplemental Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 3.01. Authorization of the Original Bonds. For the purposes of paying the costs, not otherwise provided, of acquisition and construction of the Project, of paying certain costs of issuance and related costs, and, if authorized by Supplemental Resolution, of funding the Reserve Account or for providing for the interest during construction or both, and for such other purposes set forth in the Supplemental Resolution, there shall be issued the Original Bonds of the Town. The proceeds of the Original Bonds shall be applied as provided in Section 5.01.

Section 3.02. Terms of Original Bonds. The Original Bonds shall be originally issued in one or more series and in the form of a single bond for each, fully registered to the Original Bonds Purchaser, in the principal amount of not more than \$250,000 as shall be set forth in the Supplemental Resolution. The Original Bonds shall be dated the date of delivery thereof; shall be designated as to series and number; shall bear interest at the rate per annum, not to exceed the maximum legal limit; shall bear interest payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Town shall prescribe in a Supplemental Resolution.

The Bonds shall payable as to both principal and interest, if any, at the office of the Paying Agent in any coin or currency which on the respective date of payment of principal and interest, is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address that appears on the books of the Bond Registrar, or by such other lawful method as is acceptable to the Original Bonds Purchaser.

Bonds shall be exchangeable at the option and expense of the Registered Owner for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Original Bonds Purchaser shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued within the terms and restrictions hereinafter set forth as provided by a Supplemental Resolution and by the terms of the Loan Agreement.

Section 3.03 Additional Terms of Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof, and in anticipation of the sale of the Original Bonds to the Original Bonds Purchaser, the Town covenants that the Original Bonds shall comply in all respects with the provisions of the Loan Agreement, and of any resolution of the Original Bonds Purchaser authorizing the issuance of bonds pursuant to the Program.

Section 3.04 Execution of the Bonds. The Bonds shall be executed in the name of the Town by the manual or facsimile signature of its Mayor, and the seal of the Town shall be impressed thereon and attested by the manual or facsimile signature of the Recorder. In case any one or more of the officers who shall have signed or sealed the Bonds shall cease to be such officer of the Town before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Bond shall hold the proper office in the Town, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered, and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

So long as any of the Bonds remain Outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

The Bonds shall be transferable only upon the Bond Register by the Registered Owner thereof in person or by its attorney or legal representative duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or such duly authorized attorney or legal representative.

In all cases in which the privilege of exchanging Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchanges or transfer shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of said Bond Registrar incurred in connection therewith, which charges and expenses for any Bonds owned by the Original Bonds Purchaser, in the event of partial redemption of any bond or connection with the first transfer with any bond from the Original Bonds Purchaser thereof shall be paid the Town and, otherwise shall be paid by the Registered Owner requesting such transfer or exchange. The Bond Registrar shall not be obligated to make any such exchange or transfer of Bonds during the period beginning with the fifteenth day of the month preceding an interest payment date and ending on the date or, in a case of any partial redemption of Bonds during the fifteen days next preceding the date of the selection of Bonds to be redeemed.

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Town may, in the discretion of the Council, issue, and the Bond Registrar shall authenticate and deliver a new Bond or Bonds of like tenor as the Bond or Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or Bonds, upon surrender and cancellation of such mutilated Bond or Bonds, or in lieu of and substitution for the Bond or Bonds destroyed, stolen or lost, and upon the Registered Owner's furnishing the Council proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Council may prescribe and paying such expenses as the Town may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Town. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Town may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the Town, whether or not the lost, stolen or destroyed Bond be at any time found by any one, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on and source of security for payment from the net revenues pledged herein with all other Bonds issued hereunder.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Not to be Indebtedness of the Town. The payment of the debt service of all of the Original Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues, in the amount sufficient to pay the principal of and interest on the Bonds and to make the payments required into the Sinking Fund and the Reserve Account therein and the Renewal and Replacement Fund, all hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due. The Bonds shall not, in any event, be or constitute an indebtedness of the Town within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from Net Revenues and otherwise as provided herein. No Registered Owner or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Town to pay the Bonds or the interest thereon.

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

[Form of Original Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE TOWN OF CEDAR GROVE
SEWER REVENUE BONDS
SERIES 1994

No. R- _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEDAR GROVE, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Town"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ (\$ _____), in installments on the first day of _____ each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum as set forth on said Exhibit A.

Interest on each installment shall run from the date of this Bond and until payment of such installment, and such interest shall be payable on the 1st day of _____, and the 1st day of _____ in each year beginning _____, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of _____, West Virginia, as registrar (the "Registrar") on the 15th day of the month preceding an interest payment date or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and as otherwise provided by the Loan Agreement, dated as of _____, 19____, between the Town and the Authority.

This Bond is issued (1) to pay costs of acquisition and construction of certain extensions, improvements and betterments to the existing public sewerage system of the Town (the "Project") (said existing system, together with the Project and any further extensions, improvements or betterments thereto, is hereinafter

referred to as the "System")[]; (2) to pay interest on the Bonds during and for six months after completion of the Project; (3) to fund the Reserve Account, as hereinafter defined; and (4)] to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13 of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the Council of the Town on the _____ day of _____, 1994, and supplemented thereby on the _____ day of _____, 1994 (collectively, the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Ordinance.

This Bond is payable only from and secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Reserve Account created under the Ordinance (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds and other obligations which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall said Town be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided, however, that so long as there exist in the Reserve Account sufficient moneys to pay the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year and the reserve accounts for any obligations prior to or on a parity with the Bonds, are funded at the respective requirement therefor, such percentage may be reduced to 110%. The Town has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to said Ordinance. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

IN WITNESS WHEREOF, THE TOWN OF CEDAR GROVE has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto impressed and attested by its Recorder, all as of the _____ day of _____, 1994.

Mayor

[SEAL]

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Sewer Revenue Bonds, Series 1994, described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above on the date set forth below.

Date: _____

as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

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

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of the Original Bonds. The Original Bonds shall be sold to the Original Bond Purchaser pursuant to the terms and conditions of the Loan Agreement; provided, that the Town shall satisfy certain legal and other requirements of the Program; and provided further, that the form and execution of the Loan Agreement shall be approved by the Supplemental Resolution. The provisions of the Loan Agreement are specifically incorporated in this Ordinance.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

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

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

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

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

Section 4.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Town and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) From the Revenue Fund, the Town shall first each month pay the current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Town shall next, on the first day of each month, commencing seven (7) months prior to the first day of payment of interest on the Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Sinking Fund, a sum equal to one-sixth ($1/6$) of the amount of interest which will become due on said Bonds on the next ensuing semiannual interest payment date.

(3) The Town shall also, on the first day of each month, commencing thirteen (13) months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to one-twelfth ($1/12$) of the amount of principal which will mature and become due on said Bonds on the next ensuing principal payment date.

(4) If the Reserve Account was not funded with proceeds of the Bonds, the Town shall next from the Revenue Fund on the first day of each month commencing thirteen (13) months prior to the first date of payment of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120th of the Reserve Account Requirement; provided, that no further payment shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit, an amount equal to the Reserve Account Requirement. Once the Reserve Account has been funded with an amount equal to the Reserve Account Requirement the Town shall next remit to the Commission for deposit in the Reserve Account an amount equal to any deficiency of the Reserve Account Requirement. Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Account Requirement shall be subsequently restored from the first Net Revenues available after all required payments prescribed above have been made in full.

(5) Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Sinking Fund and the Reserve Account shall be transferred, not less than once each year to the Bond Construction Trust Fund prior to completion of the Project and thereafter to the Revenue Fund.

(6) The Town shall not be required to make any further payments into the Sinking Fund or into the Reserve Account therein when the aggregate amount of funds in said Sinking Fund and said Reserve Account is at least equal to the aggregate principal amount of and interest to come due on the Bonds issued pursuant to this Ordinance then Outstanding.

(7) From the moneys remaining in the Revenue Fund, the Town shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after completion of the Project deposit in the Renewal and Replacement Fund a sum equal to two and one-half percent (2 1/2%) of the Gross Revenues each month, exclusive of payments for account of the Reserve Account in the Sinking Fund. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Town or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, enlargements, emergency repairs, improvements and extensions to the System; provided, that any deficiency occurring in the Reserve Account shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

B. (1) As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments in said Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Reserve Account in an amount equal to the Reserve Requirement.

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

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

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amount required to be so transferred and retained and paid into the Sinking Fund, including the Reserve Account therein and the Renewal and Replacement Fund during the following month or such longer period shall be required by the Act, such excess shall be considered as surplus revenues and may be used for any lawful purpose of the System.

D. The Town shall remit from the Revenue Fund to the Commission, the applicable Registrar, Depository Bank or Paying Agent, on such dates as the Commission, the Registrar, Depository Bank or the Paying Agent, as the case may be, shall require, such additional sums as shall be necessary to pay the charges, fees and expenses of the Depository Bank, the Commission, the Registrar and the Paying Agent.

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

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

otherwise be required to be made into the funds and accounts on the subsequent payment dates.

G. All remittances made by the Town to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01. Application of Original Bond Proceeds.

From the moneys received from time to time from the sale of any or all of the Original Bonds, the following amounts shall be deposited as set forth below:

A. If required by the Supplemental Resolution the amount of the proceeds which shall be at least sufficient to pay interest on the Original Bonds for the period specified in the Supplemental Resolution shall be deposited in the Sinking Fund with the Commission; provided, that such period may not extend beyond the date which is (6) six months after the estimated date of completion of construction of the Project.

B. If required by the Supplemental Resolution, the amount of the proceeds which shall be at least sufficient to fund the Reserve Account Requirement shall be deposited in the Reserve Account with the Commission; provided, that such amount shall not exceed ten percent (10%) of the proceeds of the Original Bonds.

C. The remaining monies derived from the sale of the Original Bonds shall be deposited by the Town in the Bond Construction Trust Fund and applied to the Costs of the Project, including but not limited to payment of the cost of issuance.

Section 5.02. Bond Construction Trust Fund.

The Bond Construction Trust Fund shall be kept separate and apart from all other funds of the Town and used and applied by the Town solely for the payment of the Costs of Project which include but are not limited to the cost of the issuance of the Original Bonds as well as construction of the Project, as more fully set forth in Section 1.03(H), and for no other purposes whatsoever. Unless invested in Qualified Investments, the moneys in said fund shall be secured at all times by the deposit in such bank, as security, of direct obligations of the United States of America having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. Any moneys not needed immediately for said purposes shall be invested in Qualified Investments having maturities so as to enable the moneys to be available as deemed necessary by the Consulting Engineers and otherwise in accordance Article VIII hereof. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds, unless otherwise provided for in the Loan Agreement, (i) may be used for other capital construction or acquisition needs of the System during the period of three years of the issuance of the Bonds; (ii) thereafter, shall be used to make up any deficiency in the Reserve

Account or to fund the Reserve Account at the requirement therefor; and (iii) if the reserve account is fully funded and no deficiencies exist, shall be deposited by the Town in escrow with an escrow trustee and used to redeem Original Bonds at the first redemption date and, prior to, to pay the principal of the Original Bonds by depositing into Sinking Fund, an amount which bears the same ratio to the principal coming due in that year as the excess proceeds bore to the initial aggregate principal amount of the Original Bonds. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Owners of the Original Bonds.

Expenditures or disbursements by the Depository Bank from said Bond Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Bonds and repayment to the Authority of any Step I or Step II loans, shall be made only after such expenditures or disbursements shall have been approved in writing by the Sanitary Board and the Consulting Engineers.

After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Bond Reserve Account, and when fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund; provided that, in no event shall more than 10% of the proceeds of the Bonds be deposited in the Bond Reserve Account and any balance in excess of said amounts shall be returned to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments due on the Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VI

ADDITIONAL COVENANTS OF THE TOWN

Section 6.01. General Covenants of the Town. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Town and shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Original Bonds. In addition to the other covenants, agreements and provisions of this Ordinance, the Town hereby covenants and agrees with the Registered Owners of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Bonds or the interest thereon is Outstanding and unpaid.

Section 6.02. Bonds Not To Be Indebtedness of the Town. The Bonds shall not be nor constitute an indebtedness of the Town within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the Net Revenues of the System, as herein provided or from the Grant Receipts, as herein provided, or from the net proceeds of the Original Bonds, as herein provided. No Registered Owner or Registered Owners of any Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Town to pay said Bonds or the interest thereon.

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

Section 6.04. Rates. Prior to the issuance of the Original Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file in the office of the Recorder, each of which copies will be open to inspection by all interested parties. The rates and charges shall be effective as prescribed by the rules and regulations of the PSC. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the

Operating Expenses of the System and to make the prescribed payments into the funds and accounts created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Town hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable Operating Expenses of the System, and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Original Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Original Bonds; provided, however, in the event that an amount at least equal to or in excess of the Reserve Account Requirement is on deposit in the Reserve Account, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Original Bonds and any such prior or parity obligations.

Section 6.05. Completion, Operation and Maintenance. The Town will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Ordinance.

Section 6.06. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds Outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Sinking Fund, and the Town shall direct the Commission to apply such proceeds to the payment of principal and any interest at maturity of the Bonds about to mature and to the redemption prior to maturity, at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Town by the Commission unless necessary for the payment of other obligations of the Town payable out of the revenues of the System.

The foregoing provision notwithstanding, the Town shall have and hereby reserves the right to sell, lease or otherwise

dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of \$10,000, the Town shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and the Council may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, the Council shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Council may then, if it be advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, in excess of \$10,000 and not in excess of \$50,000, shall be remitted by the Town to the Commission for deposit in the Sinking Fund and shall be applied only to the redemption or purchase, at prices not greater than the redemption price or, if not redeemable, par, of Bonds of the last maturities then Outstanding (upon receipt of approval of the Original Bonds Purchaser, if needed) or, otherwise to the Renewal and Replacement Fund. Such payments of such proceeds in the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amount required to be paid into said funds by other provisions of this Ordinance.

No sale, lease, or other disposition of the properties of the System shall be made by the Town if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to pay or redeem prior to maturity all the Bonds then Outstanding; provided, the prior approval and consent in writing of the Registered Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66-2/3%) in amount of the Bonds then Outstanding may be obtained for such purpose. The Town shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The Town shall not issue any other obligations whatsoever, except Parity Bonds provided for in Section 6.08 hereof, payable from the revenue of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however that Parity Bonds may be issued as provided for Section 6.08. All obligations hereafter issued by the

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

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

Section 6.08. Parity Bonds. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant hereto, except under the conditions and in the manner herein provided.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than one hundred and fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

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

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

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

Not later than simultaneously with the delivery of such Parity Bonds, the Town shall have entered into written contracts for the immediate acquisition or construction of such extensions, improvements and betterments to the System which are to be financed by such Parity Bonds.

All the covenants and other provisions of this Ordinance (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Owners of the Bonds and the Owners of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System, and their respective source of and security for payment from said revenues, without preference of any one Bond over any other. The Town shall comply fully with all the increased payments into the various funds created in this Ordinance required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

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

Parity Bonds shall not be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of the Parity Bonds.

Notwithstanding the foregoing, the Town may issue Parity Bonds without compliance with any of the conditions set forth in Section 6.08 of this Ordinance for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Original Bonds Purchaser and anything to the contrary in Section 6.07 and in this Section 6.08 notwithstanding, Parity Bonds may be authorized and issued by the Town pursuant to a Supplemental Resolution solely to complete the Project as described in the Town's Program application to the Original Bonds Purchaser and in accordance with the plans and specifications, in the event that the Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Project; provided, however, that, prior to the issuance of such Parity Bonds and under the provisions of this paragraph, the Consulting Engineers shall file with the Recorder a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Original Bonds Purchaser.

Section 6.09. Books and Records. The Town will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Town in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of a Bond or Bonds issued and authorized pursuant to this Ordinance shall have the right at all reasonable times to inspect the System and all parts thereof, and all records, accounts and data of the Town relating thereto.

The accounting system for the System shall follow generally accepted accounting practices to the extent allowed by the uniform system of accounts promulgated by the PSC. Separate control accounting records shall be maintained by the Town. Subsidiary records as may be required shall be kept in the manner,

on the forms, books, and other bookkeeping records as prescribed by the Town. The Town shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Town shall be reported to such agent of the Town as the Council of the Town shall direct.

The Town shall file with the Consulting Engineers and the Original Bonds Purchaser, and shall mail in each year to any Registered Owner of Bonds requesting the same, an annual report containing the following:

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

B. A balance sheet statement showing all deposits in all the funds and accounts provided for in this Ordinance with respect to said Bonds and the status of all said funds and accounts.

C. A statement of all new debt issued by the Town which is secured by a lien on the Net Revenues or Surplus Revenues of the System.

The Town shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail the report of said Independent Certified Public Accountant to the Authority and, upon request, to any Registered Owner or Registered Owners of the Bonds. The report of said audit shall include a statement that the Town is in compliance with the terms and provisions of the Loan Agreement and this Ordinance.

Section 6.10. Operating Budget. The Town shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within thirty (30) days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Council shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon further certificate of the Consulting Engineers that such increased

expenditures are necessary for the continued operation of the System. The Town shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Bonds Purchaser and to any Registered Owner of any Bond, as the case may be, who requests in writing that copies of all such budgets and resolutions be furnished him or her, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Registered Owner of any Bond, as the case may be, or anyone acting for and in behalf of such Registered Owner.

Section 6.11. Services Rendered to the Town. The Town will not render or cause to be rendered any free services of any nature by its System; and, in the event the Town or any department, agency, instrumentality, officer or employee of the Town shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Town and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Town shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.12. Enforcement of Collections. The Town will diligently enforce and collect all fees, rentals, or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State, and the rules and regulations of the PSC. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services and facilities of the System, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid.

The Town further covenants and agrees that it will, to the full extent permitted by law, and the rules and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the System and, in the event the Town owns a water facility (the "Water System"), the Water System to all users of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until

all delinquent charges for the services of the System have been paid in full or, if the water system is not owned by the Town, the Town will enter into a similar termination agreement with the provider of such water.

Section 6.13. Insurance. The Town will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Town will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority, so long as the Authority is the Owner of the Original Bonds. The Town will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Town, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement during construction of the Project in the full insurable value thereof. In time of war, the Town shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in this Ordinance and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Town will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Town shall carry such other insurance as is required by the Authority, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Town.

Section 6.14. No Competing Franchise. To the extent allowable by law, the Town will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality, for the providing of any services which would compete with services provided by the System.

Section 6.15. Connections. To the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto.

Section 6.16. Public Purpose Bonds. The Town shall use the Bond proceeds solely for the Project and as otherwise set forth

herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Town.

Section 6.17. Private Activity Bond Covenant. The Town shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Town to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Town will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

Section 6.18. Filing Covenant. The Town will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds, including, without limitation, the information return required under Section 149(e) of the Code.

Section 6.19. Federal Guarantee Covenant. The Bonds, in whole or in part, are not, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

Section 6.20. Rebate Covenant. The Town is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the System as covenanted pursuant to Sections 6.16 and 6.17, the Original Bonds are not private activity bonds within the meaning of the Code, and 95% or more than the net proceeds (as filed with respect to Code) of the Original Bonds will be used for local governmental activities of the Town. The Town and all subordinate entities reasonably expect to issue less than \$5,000,000 in aggregate principal amount of tax-exempt bonds (other than private activity bonds) during the calendar year, being 1994, in which the Original Bonds, if any, are to be issued. Therefore, the Town believes that it is excepted from the rebate requirements of Section 148(f) of the Code. Notwithstanding the foregoing, if the Town is in fact subject to such rebate requirement, the Town hereby covenants to rebate to the United States the amounts required by the Code and to take all steps necessary to make such rebates. In the event the Town fails to make such rebates as required, the Town shall pay any and all penalties and obtain a waiver from the Internal Revenue Service in order to maintain the tax-exempt status of the interest on the Bonds.

Section 6.21. Further Actions. The Town will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation,

those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 6.22. Covenant to Amend Ordinance. The Town retains the right to make any amendments, insertions or deletions by Supplemental Resolutions of this Ordinance as the Town deems desirable or necessary prior to the issuance of the Bonds, including but not limited to amendments, insertions or deletions to comply with the Code. Notwithstanding the provisions of Section 12.01 hereof, the Town shall without consent of the Registered Owners of the Bonds, amend or supplement this Ordinance by resolutions supplemental hereto or any amendatory ordinance to comply with the Code if such amendment or supplement is necessary to preserve the tax-exempt status of the Bonds. The Council of the Town hereby retains the specific authority to amend this Ordinance or supplement it by resolution to comply with the Code. In its determination to amend or supplement this Ordinance, the Council of the Town may rely on the opinion of a nationally recognized bond counsel.

The Town also retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Ordinance as the Town deems necessary prior to the issuance of the Bonds to meet the requirements of the Original Bonds Purchaser.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

(B) If default occurs in the Town's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Ordinance the Supplemental Resolution or in the Bonds and such default shall have continued for a period of 30 days after the Town shall have been given written notice of such default by the Depository Bank holding any fund or account hereunder or a Registered Owner of a Bond; or

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

Section 7.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and in particular (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Town to perform its duties under the Act and this Ordinance relating thereto, including but not limited to the making and collection of sufficient rates of charges for services rendered by the System (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Town to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the ordinance with respect to the Bonds, or the rights of such Registered Owners.

Section 7.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Town under this Ordinance and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof and performing any construction necessary for the System. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds either at the specified date of maturity thereof or at a date set for

redemption thereof, or otherwise in the performance of any covenant contained in this Ordinance other than as to such payment and such default shall continue for a period of thirty (30) days after written notice of the Town of such default, any Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Town with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Town and for the joint protection and benefit of the Town and Registered Owners of Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but

the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Town and Registered Owners, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Town, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the Systems.

ARTICLE VIII

INVESTMENTS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission or the Depository Bank, as the case may be, at the direction of the Town in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section.

Except as otherwise provided, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Bond Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The Commission or the Depository Bank, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. Such Depository Bank may make any and all investments permitted by this Section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Town covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Original Bonds which would cause the Original Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Original Bonds) so that the interest on the Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Gross Proceeds Certificate. The Town shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Town qualifies for the small governmental issue exception to rebate, or any other exception therefrom then the Town shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Original Bonds subject to rebate. The Town shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "Gross Proceeds" of the Bonds (as defined in the Code.)

Section 8.04. Restriction of Yield and Bond Proceeds. The Town shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Bonds. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the owners of all Bonds the principal thereof, and redemption premium, if applicable, and any interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then, at the option of the Town expressed in an instrument in writing approved by Town Council, and delivered to the Paying Agent, the pledge of Net Revenues and any other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Town to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agent and the Commission shall, upon the request of the Town, execute and deliver to the Town all such instruments as may be desirable to evidence such discharge and satisfaction, and any fiduciaries shall pay over or deliver to the Town all moneys, securities and funds held by them pursuant to this Ordinance which are not required for the payment of redemption.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay, as and when due, the principal of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if in case any of said Bonds are to be redeemed on any date prior to their maturity, the Town shall have given to the Commission in form satisfactory to its irrevocable instructions to publish notice of redemption on said date of such Bonds and if there shall have been deposited with the Commission or its agents, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due (whether by maturity or redemption) the principal installments and interest due and to become due on said Bonds on and prior to the maturity or redemption dates, as applicable thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal of and redemption premium, if applicable, on and interest on said Bonds; provided, that any cash received from such principal or interest

payments on such securities deposited with the Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if applicable, on and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Town, as received by the Commission, free and clear of any trust, lien or pledge. For the purpose of this Section, securities shall mean and include only Government Obligations and Advance-Refunded Municipal Bonds. Also for the purposes of this section, the Commission may act as agent.

Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or any of its agents in trust for the payment and discharge of any of the Bonds which have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by Commission at such date, or for six years after the date of deposit of such moneys if deposited with the Commission after the said date when such Bonds became due and payable, shall, at the written request of the Town, be repaid by the Commission to the Town, as its absolute property and free from trust, and the Commission shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Town for the payment of such Bonds; provided, however, that before being required to make any such payment to the Town, the Commission shall, at the expense of the Town, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Town.

ARTICLE X

MISCELLANEOUS

Section 10.01. Modification or Amendment. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto that would materially and adversely affect the respective rights of Owners of the Bonds shall be made without the consent in writing of the Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Town to pay such principal and interest out of the revenues of the System without the consent of the respective Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.03. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.04. Repeal of Conflicting Ordinances. All ordinances, resolutions and orders, or parts thereof, in conflict with this Ordinance are, to the extent of such conflict, repealed.

Section 10.05. Covenant of Due Procedure. The Town covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final enactment and passage of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the Recorder and members of Council of the Town were at all times when any actions in connection with this Ordinance occurred, and are, duly in office and duly qualified for such office.

Section 10.06. Effective Date. This Ordinance shall take effect after notice and public hearing hereon in accordance with the Act.

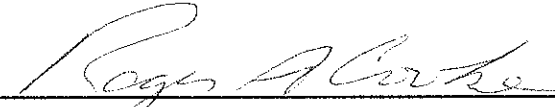
First Reading: June 14, 1994

Second Reading
and Passage: June 28, 1994

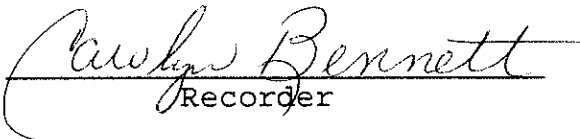
Public Hearing: July 12, 1994

Effective Date: July 12, 1994

[SEAL]



Mayor



Recorder

ABB045E2

EXHIBIT A

The Project consists of construction of collector sewers to serve the unsewered portions of Kellys Creek and other areas of the Town, interceptor sewers to separate portions of the combination sewer system decreasing the flooding of combined sewerage, a pump station and force main to convey 188,000 pgd or less to the Chelyan Public Service District (the "District") for treatment, participation in the cost of the District's treatment plant upgrade - all work to be performed while existing customer service is maintained - all in accordance with WVDNR Consent Decree Action #88-C-611 and necessary appurtenances thereto.

LOAN AGREEMENT

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

TOWN OF CEDAR GROVE
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto.

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

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

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

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

1.7 "Origination Fee" means the fee paid by a Governmental Agency with respect to its participation in the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987, to provide funds for the acquisition and construction of wastewater Projects.

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

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

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

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Division of Natural Resources* (or in the process of preparation by such

* Now administered by the West Virginia Division of Environmental Protection.

Director), has been approved by the West Virginia Bureau of Public Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

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

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

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation

and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

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

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

(c) The Governmental Agency shall either have received bids or entered contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority shall have received a certificate of the Consulting

Engineers to such effect the form of which certificate is attached hereto as Exhibit A;

(d) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act and the Resolution, and that such refinancing will not cause a violation of any covenant, representation or agreement of the Authority contained in the Resolution or Tax Regulatory Agreement with respect to the exclusion of the interest on the Bonds from gross income of the holder thereof for federal income tax purposes;

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

(f) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

(h) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the

accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

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

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied

to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

ARTICLE IV

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

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

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

(b) Covenants substantially as follows:

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

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least

one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

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

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

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

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

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

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

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

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

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof;

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

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

Authority, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

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

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

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the Authority's water development revenue bonds;

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

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

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that

term is defined in the Code) from time to time as the Authority may request.

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

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

4.3 An Origination Fee Account shall be established with the Trustee to hold the portion of the proceeds of any Loan established to fund an Origination Fee. Amounts on deposit in an Origination Fee Account shall belong to the Governmental Agency receiving the related Loan, but such amounts may only be disbursed from the Account to pay the Origination Fee as and when required to satisfy the requirements of the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987 or for such other purposes as the Authority may approve in writing.

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

4.5 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.6 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.7 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for the water development revenue bonds. The Authority shall provide both the Governmental Agency and the trustee for the water development revenue bonds with a schedule of such fees and charges, and the Governmental Agency shall pay such fees and charges on the dates indicated directly to the trustee. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.8 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the Authority's bonds.

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

ARTICLE V

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

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

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

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

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

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

ARTICLE VI

Other Agreements of the Governmental Agency

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

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the

Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

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

6.4 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Loan.

6.5 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Local Bonds.

6.6 Notwithstanding Section 6.5, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.7 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.8 The Governmental Agency hereby agrees to file with the Authority upon completion of acquisition and construction of

the Project a schedule in substantially the form of Amended Schedule A to the Application. setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

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

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

Town of Cedar Grove

[Proper Name of Governmental Agency]

(SEAL)

By: *Roger A. Coker*

Its: Mayor

Attest:

Date: September 2, 1994

Carol Bennett
Its: Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: *Daniel B. Yorks*
Director

Attest:

Date: September 2, 1994

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

1. The Bonds are being issued for the purpose of _____

(the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the _____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreement, (vi) that the net proceeds of the Bonds, together with all other moneys on deposit or to be

simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

We are bond counsel to _____
(the "Governmental Agency"), a _____
_____.

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

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

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

We have also examined the applicable provisions of _____
_____ of the Code of West Virginia, 1931, as

amended (the "Local Statute"), and the bond _____ duly enacted by the Governmental Agency on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

ABB0017F

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 222,000
Purchase Price of Local Bonds \$ 222,000

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 6.75 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

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

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

**West Virginia Water Development Authority
Bridge Financing Program
Debt Service Schedule - Town of Cedar Grove**

**Closing September 2, 1994
Total Amount Borrowed: \$222,000.00**

Avg Coup = 6.75%
TIC = 6.750633%
NIC = 6.750000%
Yield = 6.750633%
WAM = 27.73 yrs.

Date	Coupon	Principal	Interest	Debt Service
10/1/94	6.75%	0.00	1,207.13	1,207.13
10/1/95	6.75%	0.00	14,985.01	14,985.01
10/1/96	6.75%	1,366.38	14,985.01	16,351.39
10/1/97	6.75%	1,458.62	14,892.78	16,351.40
10/1/98	6.75%	1,557.07	14,794.32	16,351.39
10/1/99	6.75%	1,662.18	14,689.22	16,351.40
10/1/00	6.75%	1,774.37	14,577.02	16,351.39
10/1/01	6.75%	1,894.15	14,457.25	16,351.40
10/1/02	6.75%	2,022.01	14,329.39	16,351.40
10/1/03	6.75%	2,158.50	14,192.90	16,351.40
10/1/04	6.75%	2,304.19	14,047.20	16,351.39
10/1/05	6.75%	2,459.72	13,891.67	16,351.39
10/1/06	6.75%	2,625.76	13,725.64	16,351.40
10/1/07	6.75%	2,802.99	13,548.40	16,351.39
10/1/08	6.75%	2,992.19	13,359.20	16,351.39
10/1/09	6.75%	3,194.17	13,157.23	16,351.40
10/1/10	6.75%	3,409.77	12,941.62	16,351.39
10/1/11	6.75%	3,639.94	12,711.46	16,351.40
10/1/12	6.75%	3,885.63	12,465.76	16,351.39
10/1/13	6.75%	4,147.91	12,203.48	16,351.39
10/1/14	6.75%	4,427.89	11,923.50	16,351.39
10/1/15	6.75%	4,726.78	11,624.62	16,351.40
10/1/16	6.75%	5,045.83	11,305.56	16,351.39
10/1/17	6.75%	5,386.42	10,964.97	16,351.39
10/1/18	6.75%	5,750.01	10,601.39	16,351.40
10/1/19	6.75%	6,138.13	10,213.26	16,351.39
10/1/20	6.75%	6,552.45	9,798.94	16,351.39
10/1/21	6.75%	6,994.75	9,356.65	16,351.40
10/1/22	6.75%	7,466.90	8,884.50	16,351.40
10/1/23	6.75%	7,970.92	8,380.48	16,351.40
10/1/24	6.75%	8,508.95	7,842.44	16,351.39
10/1/25	6.75%	9,083.30	7,268.09	16,351.39
10/1/26	6.75%	9,696.43	6,654.97	16,351.40
10/1/27	6.75%	10,350.94	6,000.46	16,351.40
10/1/28	6.75%	11,049.62	5,301.77	16,351.39
10/1/29	6.75%	11,795.47	4,555.92	16,351.39
10/1/30	6.75%	12,591.67	3,759.73	16,351.40
10/1/31	6.75%	13,441.61	2,909.79	16,351.40
10/1/32	6.75%	14,348.91	2,002.48	16,351.39
10/1/33	6.75%	15,317.47	1,033.93	16,351.40
		<u>\$222,000.00</u>	<u>\$415,545.14</u>	<u>\$637,545.14</u>

Prepared 8/30/94

SCHEDULE Y
REVENUES

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

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

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

SCHEDULE Z

Additional and Supplemental Definitions

1. "EPA" means the United States Environmental Protection Agency and any successors to the functions thereof.

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

3. "System" means a sewage collection system and/or treatment plant or plants, intercepting sewers, outfall sewers, force mains, pumping stations, ejector stations and all appurtenances necessary or useful and convenient for the collection and/or a treatment, purification and disposal, in a sanitary manner, of liquid and solid waste, sewage, night soil and industrial wastes, in its entirety or any integral part thereof, owned by the Governmental Agency and under the supervision and control of a sanitary board, and any extensions, improvements or betterments thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with, among other State and federal standards, the water quality standards established by the West Virginia Division of Environmental Protection and EPA.

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

3. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Division of Environmental Protection and approval of the "Part B" supplement to its EPA grant agreement.

4. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System and, in the event the Governmental Agency owns a water facility (the "Water System"), the Water System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of either system until all delinquent charges for the services of the System have been fully paid.

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

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

7. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall deliver to the Authority a certificate representing the following:

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;
- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and

- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

A RESOLUTION SUPPLEMENTING THE BOND ORDINANCE ADOPTED BY THE COUNCIL OF THE TOWN OF CEDAR GROVE ON JUNE 28, 1994, PROVIDING FOR THE EFFECTIVE DATE OF SAID ORDINANCE AND PROVIDING AS TO DATE, SERIES, INTEREST RATE, MATURITIES, SALE PRICE, REDEMPTION PROVISIONS AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1994, OF THE TOWN OF CEDAR GROVE; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; DESIGNATING THE DEPOSITORY BANK, BOND REGISTRAR AND PAYING AGENT IN CONNECTION WITH SAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council of The Town of Cedar Grove (the "Council"), West Virginia (the "Town"), has duly and effectively adopted on June 28, 1994, an Ordinance entitled:

An Ordinance authorizing the acquisition and construction of certain extensions, improvements and betterments to the existing sewer system of The Town of Cedar Grove and the financing of the costs thereof, not otherwise provided, through the issuance by The Town of Cedar Grove of not more than \$250,000 in aggregate principal amount of Sewer Revenue Bonds; defining and prescribing the terms and provisions of the Bonds; providing for the rights and remedies of and security for the Registered Owners of the Bonds; and adopting other provisions related thereto;

WHEREAS, the capitalized terms used and not otherwise defined in this Supplemental Resolution have the respective meanings given them in the Bond Ordinance (the "Ordinance"); and

WHEREAS, the Ordinance provides for the issuance of Sewer Revenue Bonds, Series 1994 (the "Bonds") in the aggregate principal amount not to exceed \$250,000 of the Town all in accordance with the Act, and the terms of the Loan Agreement to be entered into between the Town and the West Virginia Water Development Authority (the "Authority"), and in the Ordinance it is provided that the dates, series, interest rates, maturities, principal amounts, redemption provisions and other terms of the Bonds should be established by a supplemental resolution and that other matters relating to the Bonds be herein provided for; and

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

WHEREAS, the Council of the Town, on June 28, 1994, adopted a resolution (the "Resolution") which pursuant to Chapter 16, Article 13, Section 6, of the Code of West Virginia, 1931, as amended (the "Act"), directing the Recorder to publish an abstract of the Ordinance (the "Abstract"), together with a notice specifying a date, time and place for a public hearing at which

time and place all interested persons may appear before the Council of the Town and may be heard as to whether the Ordinance shall be put into effect and identifying the office in which a certified copy of the Ordinance shall be on file for review by interested persons during the office hours of such office (the "Notice"); and

WHEREAS, the Resolution required that the Abstract and Notice be published as a Class II legal advertisement in the Charleston Daily Mail and Charleston Gazette, newspapers of general circulation in the Town, and the first publication of such Abstract and notice was to be not less than ten (10) days before the date set by the Resolution and the Notice at which interested persons might appear before the Council of the Town and be heard, and the last publication of such Abstract and Notice was to be prior to said date set by the Resolution and the Notice; and

WHEREAS, the public hearing was held on July 12, 1994; and

WHEREAS, the Council of the Town deems it essential and desirable that the Bonds be issued for the purposes of paying the costs, not otherwise provided, of acquisition and construction of the Project, funding capitalized interest, and of paying certain costs of issuance and related costs; and

WHEREAS, the Council of the Town further deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted, that the Ordinance shall be put into effect and that the date, series, interest rate, maturities, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, that the Loan Agreement be approved, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, be it resolved by the Council of The Town of Cedar Grove, West Virginia, as follows:

(1) It is hereby found and determined:

(A) That the Abstract and Notice were duly published in the Charleston Daily Mail and Charleston Gazette, newspapers of general circulation in The Town of Cedar Grove, with the first publication thereof being on July 1, 1994, which first publication date was not less than ten (10) days before the date set by the Resolution and the Notice for the public hearing at which interested persons might appear before the Council of the Town and be heard, and with the last publication thereof being on July 8, 1994, which last publication date was prior to said date set by the Resolution and the Notice for the public hearing;

(B) That, in accordance with the Resolution and the Notice, the Recorder maintained in her office a certified copy of the Ordinance for review by interested persons during the regular office hours of such office;

(C) That, in Council Chambers in the Town Hall, 302 Alexander Street, Cedar Grove, West Virginia, on July 12, 1994, at 7:00 p.m., prevailing time, in accordance with the Resolution and the Notice, the Council of the Town met for the purpose of hearing all objections and suggestions regarding whether the Ordinance should be put into effect, and heard all objections and suggestions with regard thereto;

(D) That, at said public hearing, no significant reasons were presented that could require modification or amendment of the Ordinance, and no written protest with regard thereto was filed by thirty percent (30%) or more of the owners of real estate situate in the Town; and

(E) The Ordinance shall be put into effect as of the date hereof, and the Series 1994 Bonds contemplated thereunder may be issued pursuant to said Ordinance.

(2) The Town does hereby authorize the acquisition and construction of the Project in accordance with the plans and specifications prepared by the Consulting Engineers and the provisions of the Ordinance.

(3) Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1994, in the aggregate principal amount of \$217,204 (the "Bonds"), all in the form set forth below and in the Ordinance:

(a) The Bonds of the Town shall be originally issued in the form of a single bond, numbered R-1 and designated Series 1994, in the principal amount of \$217,204. The Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of six and three-quarters percent (6.75%) per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1994, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal on

October 1 of each of the years from 1996 through 2033, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein and herein by reference.

(4) All other provisions relating to the Bonds shall be as provided in the Ordinance, and the Bonds shall be in substantially the form provided in the Ordinance with such changes, insertions and omissions as may be approved by the Mayor of the Town. The execution of the Bonds by the Mayor shall be conclusive evidence of such approval.

(5) The Town does hereby ratify, approve and accept the Loan Agreement, including the "Schedule X", a copy of which is incorporated herein by reference, and the execution and delivery by the Mayor of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Town have been and are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value.

(6) The Town hereby appoints and designates City National Bank, Charleston, West Virginia, as the Depository Bank for the Bonds.

(7) The Town hereby appoints and designates City National Bank, Charleston, West Virginia, as Registrar for the Bonds.

(8) The Town hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia, as Paying Agent for the Bonds.

(9) The Town hereby directs that \$14,662 of the proceeds of the Bonds, representing capitalized interest, be placed in the Sinking Fund at the Commission.

(10) The Town hereby directs that \$-0- of the proceeds of the Bonds be placed in the Reserve Account.

(11) The undersigned Roger A. Cooke, duly elected Mayor of the Town and the undersigned Carolyn Bennett, duly elected Recorder of the Town, or other appropriate officers and employees of the Town and the Sanitary Board are hereby authorized and directed to perform all acts, conditions, things and procedures required to exist, to be performed or to be taken to execute and deliver the Bonds and are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Ordinance approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about August 22, 1994.

(12) The Town directs that \$126,000 of the proceeds of the Bonds be paid to the Chelyan Public Service District ("District") as a tap fee pursuant to the terms of the Agreement dated March 30, 1993.

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

(14) The Town and all subordinate entities reasonably expect to issue less than \$5,000,000 in aggregate principal amount of tax-exempt bonds (other than private activity bonds) during the calendar year 1994, and the Town believes that it is excepted from the rebate requirement of Section 148(f) of the Code.

(15) The Town does hereby authorize the investment and reinvestment of all moneys held as part of the funds and accounts created by the Ordinance, by the Commission or the Depository Bank, as the case may be, at the direction of the Town, in any Qualified Investment, to the fullest extent possible under applicable laws and the terms and provisions of the Ordinance.

(16) The financing of the Project with proceeds of the Bonds is in the public interest, serves a public purpose of the Town and will promote the health, welfare and safety of the residents of the Town.

(17) This Supplemental Resolution shall be effective immediately upon adoption.

Resolution adopted July 26, 1994.

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

By 
Mayor

ATTEST:


Recorder
[SEAL]

A SECOND RESOLUTION SUPPLEMENTING THE BOND ORDINANCE ADOPTED BY THE COUNCIL OF THE TOWN OF CEDAR GROVE ON JUNE 28, 1994, PROVIDING FOR THE DESIGNATION OF A NEW BOND REGISTRAR IN CONNECTION WITH SAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the capitalized terms used and not otherwise defined in this second Supplemental Resolution have the respective meanings given them in the Bond Ordinance (the "Ordinance"); and

WHEREAS, in the Supplemental Resolution adopted July 26, 1994, The City National Bank of Charleston was appointed as Registrar; and

WHEREAS, The City National Bank of Charleston has determined it has a conflict of interest in acting as Registrar for the Town; and

WHEREAS, the Council of the Town deems it essential and desirable to appoint a new Registrar; and

WHEREAS, the Council of the Town further deems it essential and desirable that this second resolution (the "Second Supplemental Resolution"), be adopted.

NOW, THEREFORE, be it resolved by the Council of The Town of Cedar Grove, West Virginia, as follows:

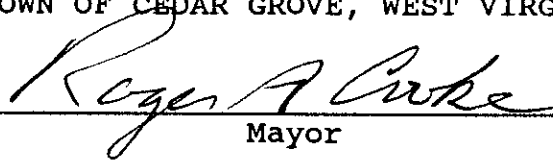
(1) The Town hereby appoints and designates One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds.

(2) This Second Supplemental Resolution shall be effective immediately upon adoption.

Resolution adopted August 9, 1994.

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

By


Mayor

ATTEST:


Recorder

[SEAL]

THIRD SUPPLEMENTAL RESOLUTION SUPPLEMENTING THE BOND ORDINANCE ADOPTED BY THE COUNCIL OF THE TOWN OF CEDAR GROVE ON JUNE 28, 1994, AS SUPPLEMENTED BY SUPPLEMENTAL RESOLUTIONS ADOPTED ON JULY 26, 1994 AND AUGUST 9, 1994, AMENDING THE PRINCIPAL AMOUNT OF BONDS TO BE ISSUED, ESTABLISHING A NEW CLOSING DATE AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the capitalized terms used and not otherwise defined in this third Supplemental Resolution have the respective meanings given them in the Bond Ordinance (the "Ordinance") adopted by the Council of the Town of Cedar Grove (the "Town") on June 28, 1994; and

WHEREAS, subsequent to the adoption of the Supplemental Resolution on July 26, 1994 ("First Supplemental Resolution"), the West Virginia Division of Environmental Protection modified the amount of the United States Environmental Protection Agency grant (the "Grant"); and

WHEREAS, as a result of the Grant amendment, the Town is required to provide a larger local share; and

WHEREAS, the local share amount required does not exceed the amount authorized by the Ordinance and as published in the Abstract with respect to the public hearing on said Ordinance; and

WHEREAS, the Council deems it essential and desirable to provide the requisite local share funding in the form of its Bonds; and

WHEREAS, the Council of the Town further deems it essential and desirable that this third Supplemental Resolution (the "Third Supplemental Resolution") be adopted.

NOW, THEREFORE, be it resolved by the Council of The Town of Cedar Grove, West Virginia, as follows:

(1) Section 3 of the First Supplemental Resolution is hereby amended and reenacted to read as follows:

(3) Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1994 in the aggregate principal amount of \$222,000 (the "Bonds"), all in the form set forth below and in the Ordinance:

(a) The Bonds of the Town shall be originally issued in the form of a single bond, numbered R-1 and designated Series 1994 in the principal amount of \$222,000. The Bonds shall be dated the day of delivery thereof, shall bear interest at the rate of six and three-quarters percent (6.75%) per annum, payable semiannually on April 1 and October 1 of each

year, first interest payable October 1, 1994, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1996 through 2033, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein and herein by reference.

(b) The Town shall provide substitute bonds to the extent that the West Virginia Water Development Authority requests, provided that the principal amount of said replacement bonds and the aggregate combined interest costs do not exceed \$222,000 and 6.75%, respectively.

(2) Section 9 of the First Supplemental Resolution is hereby amended and reenacted to read as follows:

The Town hereby directs that \$14,985 of the proceeds of the Bonds, representing capitalized interest, be placed in the Sinking Fund at the Commission.

(3) Section 11 of the First Supplemental Resolution is hereby amended and reenacted to read as follows:

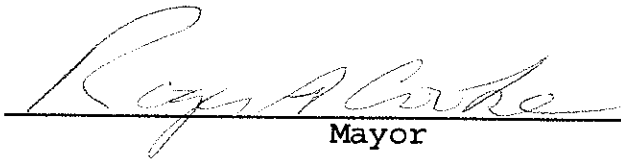
The undersigned Roger A. Cooke, duly elected Mayor of the Town and the undersigned Carolyn Bennett, duly elected Recorder of the Town, or other appropriate officers and employees of the Town and the Sanitary Board are hereby authorized and directed to perform all acts, conditions, things and procedures required to exist, to be performed or to be taken to execute and deliver the Bonds and are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Ordinance approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about September 2, 1994.

(4) The financing of the project with the proceeds of the Bonds is in the public interest, serves the public purpose of the Town and will promote the health, welfare and safety of the residents of the Town.

(5) This Supplemental Resolution shall be effective immediately upon adoption.

Resolution adopted September 1, 1994.

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

By 
Mayor

ATTEST:


Recorder

[SEAL]

ABB06B25

UNITED STATES OF AMERICA
 STATE OF WEST VIRGINIA
 THE TOWN OF CEDAR GROVE, WEST VIRGINIA
 SEWER REVENUE BONDS,
 SERIES 1994

No. R-1

\$222,000

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEDAR GROVE, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Town"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of Two Hundred Twenty Two Thousand Dollars (\$222,000), in installments on the first day of October each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum as set forth on said Exhibit A.

Interest on each installment shall run from the date of this Bond and until payment of such installment, and such interest shall be payable on the 1st day of April, and the 1st day of October in each year beginning October 1, 1994. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, West Virginia, as registrar (the "Registrar") on the 15th day of the month preceding an interest payment date or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and as otherwise provided by the Loan Agreement, dated as of September 2, 1994, between the Town and the Authority.

This Bond is issued (1) to pay costs of acquisition and construction of certain extensions, improvements and betterments to the existing public sewerage system of the Town (the "Project") (said existing system, together with the Project and any further extensions, improvements or betterments thereto, is hereinafter referred to as the "System"); (2) to pay interest on the Bonds during and for six months after completion of the Project; (3) to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13 of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly adopted by the Council of the Town on the 28th day of June, 1994,

effective on the 12th day of July, 1994, and supplemented thereby on the 26th day of July, 1994, the 9th day of August, 1994, and the 1st day of September, 1994 (collectively, the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Ordinance.

This Bond is payable only from and secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Reserve Account created under the Ordinance (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds and other obligations which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall said Town be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond Proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided, however, that so long as there exist in the Reserve Account sufficient moneys to pay the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year and the reserve accounts for any obligations prior to or on a parity with the Bonds, are funded at the respective requirement therefor, such percentage may be reduced to 110%. The Town has entered into certain further covenants with the Registered Owners of the Bonds for the terms of which reference is made to said Ordinance. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of the Registrar which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its duly authorized attorney or legal representative duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts connected with the issuance hereof, as provided by law and the Ordinance, shall be applied solely to the costs of acquisition and construction of the Project, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the Registered Owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Town, does not exceed

any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System of said Town has been pledged to and will be set aside into said special fund by said Town for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, THE TOWN OF CEDAR GROVE, WEST VIRGINIA has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto impressed and attested by its Recorder, all as of the 2nd day of September, 1994.

THE TOWN OF CEDAR GROVE,
WEST VIRGINIA

[Signature]
Mayor

[SEAL]

ATTEST:

[Signature]
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Sewer Revenue Bonds, Series 1994, described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above on the date set forth below.

Date: September 2, 1994

ONE VALLEY BANK NATIONAL
ASSOCIATION as Registrar

By *Robert L. Loh*
Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

Date	Coupon	Principal	Interest	Debt Service
10/1/94	6.75%	0.00	1,207.13	1,207.13
10/1/95	6.75%	0.00	14,985.01	14,985.01
10/1/96	6.75%	1,366.38	14,985.01	16,351.39
10/1/97	6.75%	1,458.62	14,892.78	16,351.40
10/1/98	6.75%	1,557.07	14,794.32	16,351.39
10/1/99	6.75%	1,662.18	14,689.22	16,351.40
10/1/00	6.75%	1,774.37	14,577.02	16,351.39
10/1/01	6.75%	1,894.15	14,457.25	16,351.40
10/1/02	6.75%	2,022.01	14,329.39	16,351.40
10/1/03	6.75%	2,158.50	14,192.90	16,351.40
10/1/04	6.75%	2,304.19	14,047.20	16,351.39
10/1/05	6.75%	2,459.72	13,891.67	16,351.39
10/1/06	6.75%	2,625.76	13,725.64	16,351.40
10/1/07	6.75%	2,802.99	13,548.40	16,351.39
10/1/08	6.75%	2,992.19	13,359.20	16,351.39
10/1/09	6.75%	3,194.17	13,159.22	16,351.40
10/1/10	6.75%	3,409.94	12,941.62	16,351.39
10/1/11	6.75%	3,639.94	12,711.46	16,351.40
10/1/12	6.75%	3,885.63	12,465.76	16,351.39
10/1/13	6.75%	4,147.91	12,203.48	16,351.39
10/1/14	6.75%	4,427.89	11,923.50	16,351.39
10/1/15	6.75%	4,726.78	11,624.62	16,351.40
10/1/16	6.75%	5,045.83	11,305.56	16,351.39
10/1/17	6.75%	5,386.42	10,964.97	16,351.39
10/1/18	6.75%	5,750.01	10,601.39	16,351.40
10/1/19	6.75%	6,138.13	10,213.26	16,351.39
10/1/20	6.75%	6,552.45	9,798.94	16,351.39
10/1/21	6.75%	6,994.75	9,356.65	16,351.40
10/1/22	6.75%	7,466.90	8,884.50	16,351.40
10/1/23	6.75%	7,970.92	8,380.48	16,351.40
10/1/24	6.75%	8,508.95	7,842.44	16,351.39
10/1/25	6.75%	9,083.30	7,268.09	16,351.39
10/1/26	6.75%	9,696.43	6,654.97	16,351.40
10/1/27	6.75%	10,350.94	6,000.46	16,351.40
10/1/28	6.75%	11,049.62	5,301.77	16,351.39
10/1/29	6.75%	11,795.47	4,555.92	16,351.39
10/1/30	6.75%	12,591.67	3,759.73	16,351.40
10/1/31	6.75%	13,441.61	2,909.79	16,351.40
10/1/32	6.75%	14,348.91	2,002.48	16,351.39
10/1/33	6.75%	15,317.47	1,033.93	16,351.40
		\$222,000.00	\$415,545.14	\$637,545.14

[Form of Assignment]

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

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

Dated: _____, _____.

In the presence of:

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

CERTIFICATE OF RECORDER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned Carolyn Bennett, the duly elected Recorder of The Town of Cedar Grove, West Virginia (the "Town") hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of The Town of Cedar Grove, West Virginia \$222,000 Sewer Revenue Bonds, Series 1994 (the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Town and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Charter of the Town.
2. Resolution adopted by the Council of the Town (the "Council") on September 14, 1993, promulgating rules and regulations in compliance with Chapter 6, Article 9A, of the Code of West Virginia, 1931, as amended.
3. Oaths of Office of the Mayor, Recorder, members of Council and Sanitary Board members.
4. Ordinance creating Sanitary Board passed by Council on September 28, 1993.
5. Rate Ordinance.
6. Affidavit of Publication regarding Notice of Rate Ordinance published in The Charleston Gazette and Charleston Daily Mail.
7. Minutes of Council meeting held June 22, 1993, regarding passage of Rate Ordinance.
8. Sanitary Board Petition dated October 19, 1993.
9. United States Environmental Protection Agency Assistance Agreement with Part-B Letter.
10. Bond Ordinance (the "Ordinance") passed by Council on June 28, 1994.

11. Resolution adopted by Council on June 28, 1994, authorizing publication of an abstract and notice of the Ordinance.

12. Minutes of the June 28, 1994, meeting of council wherein the Bond Ordinance and Resolution Authorizing Publication of an Abstract and Notice of Ordinance were adopted.

13. Affidavits of publication of the abstract and notice of the Ordinance published in The Charleston Gazette and Charleston Daily Mail.

14. Resolution adopted by Council on July 12, 1994, putting Ordinance into effect.

15. Minutes of the July 12, 1994, meeting of council wherein the Resolution putting Ordinance into effect was adopted.

16. Supplemental Resolutions adopted by Council on July 26, 1994, August 9, 1994 and September 1, 1994, authorizing the sale of the Bonds.

17. Minutes of the July 26, 1994, August 9, 1994 and September 1, 1994, meetings of Council wherein the Supplemental Resolutions were adopted.

18. West Virginia Water Development Authority Loan Agreement dated September 2, 1994.

19. Service Agreement by and between The Town of Cedar Grove and the Chelyan Public Service District, West Virginia dated as of the 30th day of March, 1994.

WITNESS our signatures and the official seal of The Town of Cedar Grove, West Virginia as of the 2nd day of September, 1994.



Recorder
The Town of Cedar Grove

(SEAL)

ABB041E2

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

CERTIFICATE AS TO NON-ARBITRAGE

I, Roger A. Cooke, acting Mayor of The Town of Cedar Grove, West Virginia (the "Town"), being one of the officials of the Town duly charged with the responsibility for the issuance of \$222,000 aggregate principal amount of Sewer Revenue Bonds, Series 1994, of the Town, dated September 2, 1994 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations (the "Code"). I am one of the officers of the Town charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Town.

2. This certificate may be relied upon as the certificate of the Town.

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Town in existence on September 2, 1994, the date on which the Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Town set forth herein are reasonable.

5. In the Bond Ordinance (the "Ordinance") pursuant to which the Bonds are issued, the Town has covenanted to make no use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

6. The Bonds were sold on September 2, 1994, to the West Virginia Water Development Authority (the "Authority") for an aggregate purchase price of \$222,000 (100% of par).

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying costs, not otherwise provided, of acquisition and

construction of certain extensions, improvements and betterments to the existing public sewage system of the Town (the "Project"), (ii) paying capitalized interest on the Bonds during construction, and (iii) paying costs of issuance and other costs in connection therewith.

8. The Town shall, within 30 days following delivery of the Bonds, enter into agreements which require the Town to expend in excess of \$100,000 on the Project constituting a substantial binding commitment or has already done so. Acquisition, construction and equipping of the Project will proceed with due diligence to completion, and, with the exception of proceeds deposited in a reserve account for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, with the exception of the reserve account deposits, will be expended for payment of Costs of the Project on or before September 2, 1994. Construction of the Project is expected to be completed by March 31, 1995.

9. The total cost of the Project is estimated at \$2,219,302. Sources and uses of funds for the Project are as follows:

SOURCES

Bond Proceeds	\$ 222,000
EPA Grant	\$1,012,820
SCB Grant	\$ 750,000
KCC Grant	\$ 234,482
Total Sources	<u>\$2,219,302</u>

USES

Acquisition and Construction of Project	\$2,190,317
Capitalized Interest	\$ 14,985
Closing Costs	\$ 14,000
Total Uses	<u>\$2,219,302</u>

The amount of Project costs not expected to be reimbursed by the grant from the United States Environmental Protection Agency (the "EPA Grant") is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds, the EPA Grant, the HUD Small Cities Block Grant (the "SCB Grant"), the Kanawha County Commission Grant (the "KCC Grant") and as otherwise provided in the Ordinance, no other funds of the Town will be available to meet costs of the Project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures

without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to Article V of the Ordinance, the following special funds or accounts have been continued or created:

The following special funds or accounts are created with and shall be held by, the Depository Bank:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Bond Construction Trust Fund;

The following special funds or accounts are established with the Commission:

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

11. Pursuant to Article VI of the Ordinance, the proceeds of the Bonds will be deposited as follows:

(1) Bond proceeds in the amount of \$-0- will be deposited with the Municipal Bond Commission in the Reserve Account as set forth in the Supplemental Resolution.

(2) The balance of the proceeds of the Bonds will be deposited in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project including but not limited to payment of cost of issuance.

12. Moneys held in the Sinking Fund will be used solely to pay principal of and interest on the Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall become due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Sinking Fund and Reserve Account shall be transferred, not less than once each year to the Bond Construction Trust Fund prior to completion of the Project, and thereafter into the Revenue Fund.

13. Except for the Sinking Fund and the Reserve Account, there are no other funds or accounts established or held by the Town which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for Bonds, and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Town encounters financial difficulties. The Town does not expect that moneys in

the Renewal and Replacement Fund will be used or needed for payments upon the Bonds. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts or other investment-type property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds will be deposited in the Reserve Account or any other reserve or replacement fund. The amounts deposited in the Reserve Account from time to time by the Town will not exceed the maximum annual principal and interest on the Bonds and will not exceed 125% of average annual principal and interest on the Bonds. Amounts in the Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Reserve Account is required by the Authority, is vital to its purchase of the Bonds and is reasonably required to assure payments of debt service on the Bonds.

14. The Town expects to enter into a contract within 10 days of the date hereof or has already entered into such a contract for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Bonds or \$100,000.

15. Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years of September 2, 1994.

16. The Town will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bonds to the Authority.

17. All of the proceeds of the Bonds will be expended on the Project within 13 months from the date of issuance thereof.

18. Any money deposited in the Sinking Fund for payment of the principal and interest on the Bonds (other than the Reserve Account therein) will be spent within a 13-month period beginning on the date of receipt and any moneys received from the investment of amounts held in the Sinking Fund (other than in the Reserve Account therein) will be spent within a one (1) year period beginning the date of receipt.

19. All the proceeds of the Bonds which were used for the payment of costs of the Project will be expended for such purposes within 3 years of September 2, 1994.

20. The amount designated as cost of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

21. All property financed with the proceeds of the Bonds will be held for Federal income tax purposes by (or on behalf of) a qualified governmental unit.

22. The Town shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

23. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of the Bonds have been or will be used to make or finance loans to, any person who is not a governmental unit.

24. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

25. The Town has general taxing powers to finance operations of or facilities of the nature of the system, and the Town and all subordinate entities reasonably expect to issue less than \$5,000,000 of tax-exempt obligations during calendar year 1994 and has issued no other tax-exempt obligations during the current calendar year and the Town believes that it may avail itself of the "small governmental issuer" exception to rebate.

26. The Town shall use the proceeds of the Bonds solely for the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Town.

27. The Town shall not permit at any time or times any of the proceeds of the Bonds, or any other funds of the Town, to be used directly or indirectly in a manner which would result in the exclusion of Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Town will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure the interest on the Bonds is excludable from gross income for federal income tax purposes.

28. The Bonds, in whole or in part, are not and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

29. The Town will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Town fails to make such rebates as required, the Town shall pay any and all penalties and obtain a waiver from the Internal Revenue Service in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

30. The Town has retained the right to amend or supplement its authorizing documents if such amendment or supplement is necessary to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

31. The Town shall comply with the yield restriction on the proceeds of the Bonds as set forth in the Code.

32. The Town has either (a) funded the Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Reserve Account which will be funded with equal payments on a monthly basis over a 10 year period until such Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the Reserve Account and the Sinking Fund (established for the annual payment of principal and interest) will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

33. The Town shall submit to the Authority within thirty (30) days following the end of the Town's bond year a certified copy of its rebate calculation or if the Town qualifies for the small governmental issuer exception to rebate, then the Town shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

34. The Town expects that no part of the Project financed by the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

35. The Town covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds.

36. Jackson & Kelly is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

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

IN WITNESS WHEREOF, I have set my hand this 2nd day of
September, 1994.

THE TOWN OF CEDAR GROVE

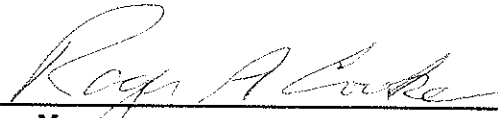
By 
Mayor

ABB041E3

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

CERTIFICATE OF CONSULTING ENGINEER

I, Joseph F. Dunn, Registered Professional Engineer, West Virginia License No. 4492, of Dunn Engineers, Inc., Consulting Engineers, Charleston, West Virginia, hereby certify that my firm is engineer for the construction management of certain extensions, improvements and betterments to the existing sewer system (herein called the "Project") of The Town of Cedar Grove, West Virginia (the "Town") to be constructed in Kanawha County, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Town. Capitalized words not defined herein shall have the meaning set forth in the Bond Ordinance passed by the Council of the Town on June 28, 1994, effective July 12, 1994, and the Loan Agreement by and between the Town and the West Virginia Water Development Authority (the "Authority") dated September 2, 1994.

1. The Bonds are being issued for the purpose of permanently financing the costs of acquisition and construction of the extensions, improvements and betterments to the system, and paying the costs not otherwise provided of acquisition and construction of the Project. The Town has received a grant from the United States Environmental Protection Agency in the amount of \$1,012,820, a HUD Small Cities Block Grant in the amount of \$750,000 and a grant from the Kanawha County Commission in the amount of \$234,482.

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans and specifications prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iii) the Town has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, (iv) the Town has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) that the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (vi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 2nd day of September, 1994.

DUNN ENGINEERS, INC.

[Seal]

By

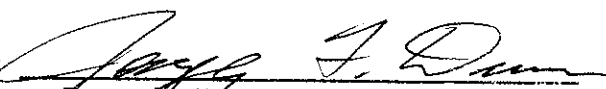

Joseph F. Dunn
License No. 4492

ABB041D8

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 2nd day of September, 1994, by and between THE TOWN OF CEDAR GROVE, WEST VIRGINIA, a municipal corporation (the "Governmental Agency"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$222,000 Sewer Revenue Bonds, Series 1994, in the form of one bond numbered R-1 in fully registered form (the "Bonds"), pursuant to a Bond Ordinance duly passed June 28, 1994, effective July 12, 1994, and Supplemental Resolutions adopted July 26, 1994, August 9, 1993 and September 1, 1994 (collectively, the "Ordinance");

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

WHEREAS, the Ordinance provides for an appointment by the Governmental Agency of a Registrar for the Bonds; and

WHEREAS, the Governmental Agency desires to appoint, and by the Ordinance and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth;

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

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

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Governmental Agency hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection with this Registrar's Agreement.

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

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

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

GOVERNMENTAL AGENCY:

The Town of Cedar Grove
P. O. Box 536
Cedar Grove, WV 25039
Attention: Mayor

REGISTRAR:

One Valley Bank, National Association
Summers and Lee Streets
P. O. Box 1793
Charleston, WV 25326
Attention: Corporate Trust Department

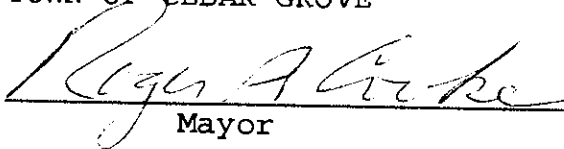
The Governmental Agency and the Registrar shall notify the other in writing of any change of address.

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance.

IN WITNESS WHEREOF, THE TOWN OF CEDAR GROVE and ONE VALLEY BANK, NATIONAL ASSOCIATION, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

THE TOWN OF CEDAR GROVE

By:


Mayor

ONE VALLEY BANK, NATIONAL ASSOCIATION

By:

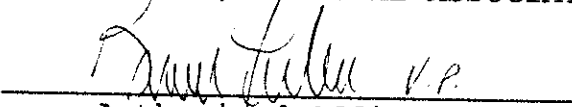

Authorized Officer

ABB041E1

EXHIBIT A

See Bond Ordinance (Tab No. 9)

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

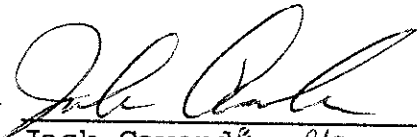
\$222,000 Sewer Revenue Bonds, Series 1994

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

The City National Bank of Charleston, with its principal office in Charleston, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of The Town of Cedar Grove, West Virginia duly passed on June 28, 1994, effective July 12, 1994, and the Supplemental Resolutions adopted July 26, 1994, August 9, 1994 and September 1, 1994 (collectively, the "Ordinance"), authorizing issuance of The Town of Cedar Grove, West Virginia Sewer Revenue Bonds, Series 1994, dated September 2, 1994, in the aggregate principal amount of \$222,000 (the "Bonds") and agrees to perform all duties of Depository Bank, all as set forth in said Ordinance.

Witness my signature as of the 2nd day of September, 1994.

THE CITY NATIONAL BANK OF CHARLESTON

By 

Jack Cavender *HC*
Senior Vice President

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BONDS

September 2, 1994

One Valley Bank, National Association
P. O. Box 1793
Charleston, West Virginia 25326

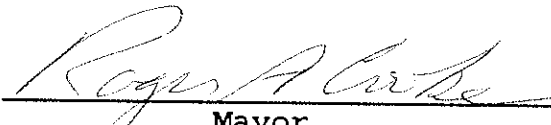
Ladies and Gentlemen:

We herewith hand to you, duly executed, \$222,000 Sewer Revenue Bonds, Series 1994, in the form of one bond numbered R-1 (the "Bonds") of The Town of Cedar Grove, West Virginia (the "Town"), authorized to be issued under and pursuant to the Bond Ordinance, duly passed by the Council of the Town on June 28, 1994, effective July 12, 1994, and Supplemental Resolutions adopted by the Council on July 26, 1994, August 9, 1994 and September 1, 1994 (collectively, the "Ordinance").

You are hereby requested and authorized to register, authenticate and deliver the Bonds on behalf of the Town to the West Virginia Water Development Authority.

THE TOWN OF CEDAR GROVE

By



Mayor

The Town of Cedar Grove

(SEAL)

Attest:


Recorder, The Town of Cedar Grove

ABB041E5

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

CERTIFICATE OF REGISTRATION OF BONDS

I, Bruce C. Leckie, Vice President of One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar"), hereby certify that on the 2nd day of September, 1994, the bonds of The Town of Cedar Grove, West Virginia in the principal amount of \$222,000 designated "The Town of Cedar Grove, West Virginia Sewer Revenue Bonds, Series 1994" (the "Sewer Revenue Bonds"), and numbered R-1, dated as of the date hereof, were registered as to principal and the Sewer Revenue Bonds, Series 1994 were registered as to interest in the name of "West Virginia Water Development Authority" in the books of the Town kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, Charleston, West Virginia, as Registrar.

WITNESS my signature as of the 2nd day of September, 1994.

ONE VALLEY BANK, NATIONAL ASSOCIATION, as
Registrar

By Bruce Leckie v.p.
Authorized Officer

BOND REGISTER

ONE VALLEY BANK, NATIONAL ASSOCIATION
Charleston, West Virginia,
as Bond Registrar
for
The Town of Cedar Grove, West Virginia
Sewer Revenue Bonds,
Series 1994

Bondholder	Bond Number	Registration Amount	Date	Authorized Officer
West Virginia Water Development Authority Dunbar, WV 25064	R-1	\$222,000	September 2, 1994	Bee

ABB06977

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

RECEIPT FOR BONDS

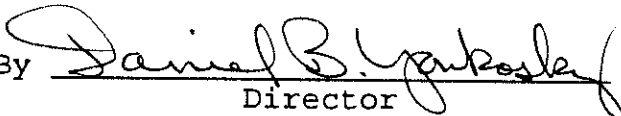
The undersigned, Daniel B. Yonkosky, Director of the West Virginia Water Development Authority, for and on behalf of the West Virginia Water Development Authority (the "Authority"), hereby certifies as follows:

1. On the 2nd day of September, 1994, in Dunbar, West Virginia, the Authority received the entire original issue of \$222,000 in aggregate principal amount of The Town of Cedar Grove, West Virginia Sewer Revenue Bonds, Series 1994 (the "Bonds"), said Bonds being dated the 2nd day of September, 1994; and issued in the form of one bond, fully registered to the Authority, and numbered R-1.

2. At the time of receipt of such Bonds, they had been executed by Roger A. Cooke, as Mayor of The Town of Cedar Grove, by manual signature, and attested by Carolyn Bennett as Recorder of The Town of Cedar Grove, by manual signature, and the official seal of said Town had been impressed upon each Bond.

IN WITNESS WHEREOF, Daniel B. Yonkosky duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 2nd day of September, 1994.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By 
Director

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

\$222,000 Sewer Revenue Bonds, Series 1994

RECEIPT FOR BOND PROCEEDS

The undersigned Roger A. Cooke, Mayor of The Town of Cedar Grove (the "Town"), hereby certifies as follows:

1. The Town has received and hereby acknowledges receipt from the West Virginia Water Development Authority (the "Authority"), as original purchaser of the Town's \$222,000 Sewer Revenue Bond, Series 1994, of the proceeds of said bond in the amount of \$222,000.

IN WITNESS WHEREOF, The Town of Cedar Grove has caused this receipt to be executed by the acting Mayor of The Town of Cedar Grove on this 2nd day of September, 1994.

THE TOWN OF CEDAR GROVE

By 
MAYOR

WV MUNICIPAL BOND COMMISSION
Suite 337 Building 3
1800 Washington St. E
State Capitol Complex
Charleston, WV 25305
(304) 348-3971

NEW ISSUE REPORT FORM

Date of Report: September 2, 1994

(See Reverse for Instructions)

ISSUE: The Town of Cedar Grove, West Virginia \$217,204 Sewer Revenue Bonds, Series 1994

ADDRESS: P.O. Box 536, Cedar Grove, WV 25039

COUNTY: Kanawha

PURPOSE: New Money ☒ X

OF ISSUE: Refunding Refunds issue(s) dated: _____

ISSUE DATE: September 2, 1994

CLOSING DATE: September 2, 1994

ISSUE AMOUNT: \$ 222,000

RATE: 6.75%

1st DEBT SERVICE DUE: 10/1/94

1st PRINCIPAL DUE: 10/1/96

1st DEBT SERVICE AMOUNT: \$1,207.13

PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee

Phone: (304) 340-1318

CLOSING BANK: The Citizens National Bank of Charleston

Contact Person: Jack Cavendar

Phone: 926-3323

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Albert F. Good, Esq.

Position: Town Counsel

Phone: (304) 343-5531

UNDERWRITERS

BOND COUNSEL: _____

Contact Person: _____

Phone: _____

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

OTHER: _____

Contact Person: _____

Function: _____

Phone: _____

DEPOSITS TO MBC AT CLOSE:

By Wire ☐ Check ☒

Accrued Interest: \$ _____

Capitalized Interest: \$14,985

Reserve Account: \$ _____

Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By Wire ☐ Check ☐ IGT ☐

To Escrow Trustee: \$ _____

To Issuer: \$ _____

To Cons. Invest. Fund: \$ _____

To Other: \$ _____

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

DISBURSEMENT REQUEST FORM

The City National Bank of Charleston
3601 MacCorkle Avenue
Charleston, West Virginia 25304

Re: The Town of Cedar Grove, West Virginia
\$222,000 Sewer Revenue Bonds, Series 1994

Ladies and Gentlemen:

You are authorized, on behalf of The Town of Cedar Grove, West Virginia, to make the following disbursements from the Bond Construction Trust Fund:

The expenses listed above* have been incurred as Costs of the Project that have not been the basis of any previous disbursement. Each item listed above for which payment is now due and owing is or was necessary in connection with the Project and has been otherwise properly incurred. A copy of the Resolution of The Town of Cedar Grove, West Virginia authorizing the disbursements is attached hereto.

Very truly yours,

THE TOWN OF CEDAR GROVE, WEST VIRGINIA

By: _____
Mayor

DUNN ENGINEERS, INC.

By: _____
Terry L. Myers

Date: _____

*Invoices attached

ABB061A2

AGREEMENT

THIS AGREEMENT, Made the 30th day of March, 1993, by and between the TOWN OF CEDAR GROVE, Kanawha County, West Virginia, a municipal corporation, hereinafter designated as TOWN, and the CHELYAN PUBLIC SERVICE DISTRICT, Kanawha County, West Virginia, a public corporation of the State of West Virginia, hereinafter designated as DISTRICT:

W I T N E S S E T H:

WHEREAS, the DISTRICT owns and is responsible for the operation of a sanitary sewer system and wastewater treatment plant for which improvements are planned with the capability of providing secondary treatment levels as established by the United States Environmental Protection Agency and the West Virginia Department of Commerce, Labor, and Environmental Resources, Water Resources Division; and,

WHEREAS, the TOWN owns and maintains a sanitary sewer collection system and has in effect certain rates and charges to be made by it for the sale of its services to its customers; and,

WHEREAS, the DISTRICT'S wastewater treatment plant and sanitary sewer system have an adequate design capacity to handle the TOWN, and the DISTRICT agrees to reserve an adequate portion of the design capacity for use by the TOWN, subject to the terms set forth herein; and,

WHEREAS, the TOWN desires to connect to the sewer system of the DISTRICT and to be provided with secondary treatment of wastewater delivered to the DISTRICT'S sewer system by the TOWN; and,

NOW, THEREFORE, In consideration of the recitals, the parties do hereby agree as follows:

1. The TOWN shall design and cause to be constructed, at its sole cost, a sanitary sewer system meeting generally accepted sanitary engineering standards which will collect and transport sewage from within the boundaries of the TOWN to the DISTRICT'S sewer system at a point of connection, to be determined in the sole discretion of the DISTRICT at the East End of the unIncorporated area of Shrewsbury, Kanawha County, West Virginia, as shown upon a drawing labeled "Drawing No. 1, Contract No. 5", prepared by S & S Engineers, Inc., the DISTRICT'S consulting engineer, said Drawing is attached hereto and marked for identification purposes as Exhibit A and incorporated as part of this Agreement for all pertinent purposes. The TOWN shall further limit the total amount of flow discharged into the DISTRICT'S wastewater collection system to a maximum flow of 130 gallons per minute, not to exceed 188,000 gallons per day. In the event the actual flow is more than 130 gallons per minute, and exceeds an average of 150,000 gallons per day, the TOWN will pay to the DISTRICT the additional operation and maintenance costs incurred, and the TOWN further agrees to hold the DISTRICT harmless from and against any and all liabilities, losses, damages, costs and expenses (including attorneys fees and expenses of the DISTRICT), causes of action, suits, claims, demands, administrative adjudications, and judgments of any nature arising from the TOWN exceeding the 130 gallons per minute and maximum 188,000 gallons per day limitation heretofore

established. The TOWN shall further limit the amount of infiltration and inflow which will be permitted in the TOWN'S newly constructed sanitary sewer collection system to zero (0) gallons of inflow and Two Hundred (200) gallons per inch diameter mile of infiltration per day during final inspection and testing of the sanitary sewer collection system. No Industrial customer will use the TOWN'S system without approval of the DISTRICT, so that pretreatment may be arranged and charges for the Industrial waste formulated, if necessary.

2. The DISTRICT shall receive, treat and dispose of the wastewater from the TOWN at the DISTRICT'S Wastewater Treatment Plant, in such manner, and according to such standards, as are required of a sanitary sewage treatment facility. The DISTRICT shall maintain responsibility for discharge of treated wastewater in accordance with State and Federal laws and regulations. The TOWN shall be liable for fine and/or penalty incurred as a result of discharge violations occurring at the DISTRICT'S Wastewater Treatment Plant that are a direct result of the introduction of prohibited materials into the DISTRICT'S collection system. The DISTRICT shall have the right to monitor the TOWN'S wastewater by random sampling and analysis for compliance with this provision. The TOWN shall adopt a Sewer Use Ordinance in accordance with Federal and State guidelines which sets forth restrictive covenants as it may relate to a sanitary sewer system.

3. The TOWN'S wastewater is to be metered by a flowmeter installed at the point of discharge into the DISTRICT'S wastewater collection system. The TOWN shall be responsible for all costs associated with the installation of the flowmeter and

any costs incurred as a result of the operation and maintenance of the flowmeter. The DISTRICT shall have the right to jointly read the TOWN'S flowmeter and the DISTRICT shall have access to the TOWN'S flowmeter upon reasonable notice to the TOWN, to inspect and insure accuracy of the measurements of the wastewater flow into the DISTRICT'S wastewater collection system. The fee for transportation and treatment of the TOWN'S wastewater by the DISTRICT shall be based upon the metered water usage of the customers of the TOWN and provided to the DISTRICT by the TOWN, without cost, on a monthly basis and shall be calculated upon a per thousand gallon of metered water usage basis. The charge to the TOWN, which shall be based upon a per thousand gallon of metered water usage basis, shall be calculated based upon the cost of service study prepared by Smith, Cochran, and Hicks which is attached hereto and marked for identification purposes as Attachment B and incorporated herein as a portion of this Agreement. Said cost of service study shall be subject to review and approval by the Public Service Commission of West Virginia, and such fee is hereby determined to be \$1.48 per 1,000 gallons of metered water usage. In the event the TOWN does not bill its customers for sanitary sewage service in a particular month or months, the TOWN will pay the DISTRICT a charge equal to the average monthly amount billed by the DISTRICT to the TOWN for prior wastewater treatment and disposal service. The fee charged by the DISTRICT to the TOWN reflects the total cost of said transportation and treatment on a per thousand gallon of metered water usage basis and includes a pro rata share of the use of

existing sewers, lift stations and treatment plant, as well as, administration, operation, maintenance and any additional cost of service costs, including any and all legal, engineering and administrative fees incurred by the DISTRICT as a result of this Agreement. All new modifications of the DISTRICT'S system required to accommodate the TOWN, and approved by the West Virginia Department of Commerce, Labor, and Environmental Resources, Division of Environmental Protection, Construction Assistance Division, being designated as Contract No. _____, for the TOWN, reference to which is hereby made and incorporated herein as if specifically set forth as a portion of this Agreement, shall be paid in full by the TOWN during the construction phase of this project, in accordance with the terms set forth in Paragraph 5 herein.

4. The TOWN will obtain adequate insurance and shall keep in force, pay, and will protect, indemnify and hold the DISTRICT harmless from and against all liabilities, losses, damages, costs and expenses (including attorneys fees and expenses of the DISTRICT), causes of actions, suits, claims, demands and judgments of any nature arising from:

(1) any injury to or death of any person or damage to property in or upon the TOWN'S property or facilities, or growing out of or connected with the use, non-use, condition or occupancy of the said TOWN'S property or facilities or a part thereof; such injuries and/or damage shall include any and all injuries or damage which may occur due to any failure or malfunction of the TOWN'S lift stations caused by any flood, hailstorm, windstorm, Act of God, and any and all unprecedented meteorological events;

any repairs, construction or alterations or remodeling thereto as performed by the TOWN, their authorized agents or servants, excluding the DISTRICT or its agents or servants, or the condition of the TOWN'S property or facilities including sidewalks, streets or alleys and any equipment or facilities at any time located on the TOWN'S property or under the TOWN'S control and used in connection therewith;

(2) violation of any agreement, warranty, or covenant.

The intent of this paragraph is that neither party will subsidize the other's capital or operation expenses and that all parties shall mutually benefit from this Agreement.

5. The TOWN will, in addition to the other payments provided for in this Agreement, pay to the DISTRICT the sum specified in Subparagraph 5.1 hereof, and, to the extent, and upon the contingencies, specified in Subparagraph 5.2 hereof, the sum specified in the said Subparagraph 5.2, to-wit:

5.1 The TOWN shall contribute an estimated sum of \$126,000.00 for the facilities to be constructed and referred to in Paragraph 3 herein or the actual cost thereof, which cost shall not exceed more than 23.1 percent of the total project cost of those facilities detailed in a document labeled Exhibit C which is attached to this Agreement, to be adjusted upon completion of construction to the DISTRICT to aid in the construction of improvements necessary to upgrade its sanitary sewer system and Wastewater Treatment Plant in order to provide the TOWN with the services set forth in this Agreement. The remaining funds derived from the sources of revenue for the

TOWN'S project as described in this Agreement, as such sources are delineated in the TOWN'S Application for a Certificate of Convenience and Necessity which was filed with the Public Service Commission of West Virginia on the 14th day of December, 1992, shall be placed in an escrow account which shall be established on behalf of the DISTRICT and shall be disbursed to the DISTRICT on a monthly basis upon proper verification of the costs incurred during the construction phase of this project. The TOWN shall provide to the DISTRICT the disbursement of monies in accordance with the percentage of project completion, on a monthly basis, during construction and shall, upon completion of the project, pay the DISTRICT any remaining monies which may be owed to the DISTRICT, if any.

5.2 Upon (i) the completion of construction of the TOWN'S project as provided for in this Agreement; (ii) the certification of such completion by the TOWN'S engineer; and (iii) the payment in full of all costs and expenses incurred by the TOWN in connection with such project and its completion, including payment of the obligation mentioned in Subparagraph 5.1 aforesaid, the TOWN will, if, and to the extent, the TOWN holds project funds which are unexpended and are available for the purpose hereinafter in this paragraph stated, apply such unexpended and available funds to the payment, so far as such funds are sufficient for the purpose, of a claim in the amount of \$61,754.00 which the DISTRICT has asserted against the TOWN as the TOWN'S alleged pro rata share of the cost of the DISTRICT'S Quincy Center Wastewater Collection System, pumping station, and force main sanitary sewer, all of which have been completed by

the DISTRICT prior to the date of this Agreement. Such payment, if any, shall be made by the TOWN to the DISTRICT as soon as feasible following the meeting in full of the three contingencies stated under "(i)", "(ii)", and "(iii)" of this subparagraph. The provisions of this subparagraph shall not be construed as an admission by either the TOWN or the DISTRICT of the correctness of the views of the other with respect to the validity of the DISTRICT'S claim in this subparagraph mentioned, it being understood that the TOWN and the DISTRICT hold diametrically opposite views with reference to the validity of such claim.

6. The parties hereto shall, upon request, provide the other with an annual audit approved by the West Virginia Public Service Commission and related information as may be required.

7. Any modification to the rates and charges set out herein as they relate to the TOWN shall be supported by a cost of service study, the cost of which the TOWN shall participate in up to a maximum of \$5,000.00, and reviewed and approved by the DISTRICT. Any such study shall be initiated after a period of one (1) year from the date this Agreement becomes effective and the TOWN agrees to place in an escrow account its \$5,000.00 share over a period of nine (9) months commencing with the institution of sewer service by the TOWN pursuant to this Agreement and which sum of money shall be used to pay for the TOWN'S portion of the cost of service study. The cost of service study shall also be reviewed and approved by the Public Service Commission of West Virginia. The TOWN agrees to deposit the sum of Five Thousand Dollars and No Cents (\$5,000.00), in an escrow account, upon

approval and execution of this Agreement, which sum of money shall be used to pay for the cost of service study which shall be conducted, and any interest earned and accrued with regard to said account shall become the property of the TOWN. After completion of the cost of service study and the review and approval of said study by the Public Service Commission of West Virginia, if necessary, the parties hereto agree to pay the rates and charges established by the study, and to reimburse to either party the appropriate compensation which may be due as determined by the cost of service study and approved by the Public Service Commission of West Virginia. The parties hereto covenant and agree that in the event the cost of service study set forth in this paragraph reveals a rebate or reimbursement is due either party, which is in an amount that is less than two percent (2%) of the annual cost for treatment and disposal paid by the TOWN to the DISTRICT, then and in such event, the amount due shall be considered an incidental expenditure and the rebate or reimbursement set forth in this paragraph shall not be required to be paid. The cost of service study which determines the rebate or reimbursement amount, if any, shall be based upon the actual flow of wastewater received by the DISTRICT as indicated by the flow meter mentioned in Paragraph 3 of this Agreement and any such information shall be compared with the estimated flow used to determine the pro rata share of costs incurred by the DISTRICT in calculating the rate for the treatment and disposal fee. The term "cost of service" as used in this Agreement shall include, but not be limited to, all wages, benefits, equipment rentals, fuel, materials, supplies, administration and overhead

which can be associated directly or indirectly for providing the agreed upon services.

8. The parties hereto shall meet on an as needed basis at a specifically designated meeting called for such purpose at a mutually agreed upon time, to be held at the business office of the DISTRICT, to discuss business, rates, communications, complaints, suggestions, and any related matters, between the parties, with at least one meeting per fiscal year to be held not later than thirty (30) days after the parties herein have submitted their annual audit and report to the Public Service Commission of West Virginia.

9. The TOWN shall not exceed the limitation of wastewater per day into the DISTRICT'S wastewater treatment and collection system as set forth in Paragraph 1 of this Agreement.

10. This Agreement is made by the parties hereto subject to the review and approval of the Public Service Commission of the State of West Virginia and likewise all modifications made to this Agreement and pursuant to its terms shall be subject to the same review and approval.

11. The length and duration of this Agreement, subject to the provisions hereof, shall begin on the date as first written above, and shall continue from year to year for a term not to exceed forty (40) years, or until terminated by mutual agreement of the parties hereto.

12. For sewer services rendered by the DISTRICT to the TOWN under this Agreement, the TOWN shall, on a monthly basis, make payment to the DISTRICT on or before the 1st day of a calendar

month for all amounts billed by the TOWN for sewer services on the 1st day of the next immediately preceding calendar month. If payment is not received by the DISTRICT within the time and in the manner prescribed in the next preceding sentence, a penalty of 10% shall be added to the net amount thereof. The TOWN agrees that it will bill all its sewer customers on the first day of each calendar month for sewer services as based on the next immediately preceding water meter reading.

13. In the event the TOWN fails to perform any other term, obligation, or condition of this Agreement, the result of which is likely to cause irreparable harm or injury to the DISTRICT'S facilities or otherwise constitutes an emergency situation and the TOWN fails to correct such condition or default within fifteen (15) days, unless a shorter time is deemed necessary by the DISTRICT, after written notice by DISTRICT specifying such default, then the DISTRICT shall have the right to undertake such corrective action and the TOWN shall be responsible for all costs and expenses incurred by the DISTRICT or shall reimburse the DISTRICT for such costs and expenses. In the event the TOWN fails to make any payment due hereunder and remains in default for a period of ten (10) days after the due date, or in the event that the TOWN fails to perform any other term, obligation, or condition of this Agreement, and fails to correct such other default or to commence correction of such default if correction shall require more than twenty (20) days, the DISTRICT shall have the right to require specific performance by the TOWN or the right to seek damages against the TOWN through the institution of a civil action against the TOWN in a Court of competent

jurisdiction. If the parties named herein bring an action or proceeding to enforce the terms herein or declaring the rights hereunder, the prevailing party in any such action or proceeding shall be entitled to reasonable attorney's fees and costs to be paid by the losing party as determined by said Court of competent jurisdiction.

14. It is expressly agreed by the parties that any designation of the TOWN as set forth herein shall include the Sanitary Board of the Town of Cedar Grove in the event that such Board is created subsequent to the execution of this Agreement.

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

ATTEST:

TOWN OF CEDAR GROVE, KANAWHA
COUNTY, WEST VIRGINIA, a
municipal corporation

Carly Bennett
Recorder

By:

Roger A. Curtis
Its Mayor

ATTEST:

CHELYAN PUBLIC SERVICE DISTRICT,
KANAWHA COUNTY, WEST VIRGINIA,
a public utility

George W. Grier

By:

Joyce McPhail
Its Chairman

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA, To-Wit:

I, P.F. Tucker, a Notary Public in
and for said state and county, do hereby certify that
Roger A. Cooke, Mayor of the Town of Cedar
Grove, whose name is signed to the writing above, has this day
acknowledged the same before me.

Given under my hand this 31st day of March, 1993.

My commission expires 1-23-2000.

P. F. Tucker
Notary Public

STATE OF WEST VIRGINIA

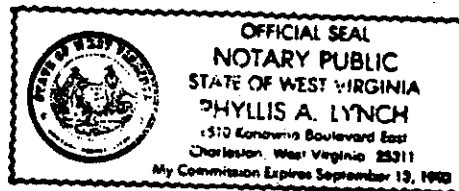
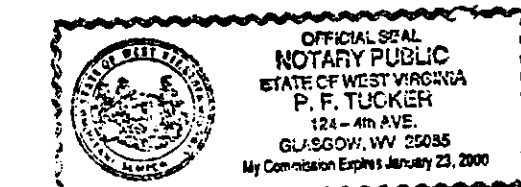
COUNTY OF KANAWHA, To-Wit:

I, Phyllis A. Lynch, a Notary Public in
and for said state and county, do hereby certify that
Joyce McChail, Chairman of the Chelyan Public
Service District, whose name is signed to the writing above, has
this day acknowledged the same before me.

Given under my hand this 5 day of April, 1993.

My commission expires September 13, 1993.

Phyllis A. Lynch
Notary Public



JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-8800

8000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-3000

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26155
TELEPHONE 304-455-1751

700 EAST WASHINGTON STREET
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-728-6088

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40585
TELEPHONE 606-255-9500

2945 MEADOWBROOK ROAD
CLARKSBURG, WEST VIRGINIA 26330
TELEPHONE 304-842-1933

2401 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20037
TELEPHONE 202-973-0200

1680 LINCOLN STREET
DENVER, COLORADO 80264
TELEPHONE 303-637-0003

September 2, 1994

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

Ladies and Gentlemen:

We are bond counsel to The Town of Cedar Grove (the "Governmental Agency"), a duly organized and presently existing municipal corporation under the laws of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated September 2, 1994, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated September 2, 1994 (the "Governmental Agency Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Governmental Agency Bonds are in the principal amount of \$222,000, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1994, at the respective rate and with principal payable in installments on October 1 in each of the years 1996 through 2033, inclusive, all as set forth in Exhibit A incorporated in and made a part of the Governmental Agency Bonds.

The Governmental Agency Bonds are issued for the purpose of paying a portion of the costs of acquiring and constructing certain extensions, improvements and betterments to the existing public sewerage system for the Governmental Agency, to capitalize interest on the Governmental Agency Bonds during construction, and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Governmental Agency Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Governmental Agency Bonds have been authorized by a Bond Ordinance

(the "Ordinance") duly passed by the Governmental Agency on June 28, 1994, effective July 12, 1994, and Supplemental Resolutions adopted on July 26, 1994, August 9, 1994 and September 1, 1994 (the "Local Act"), which contain provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Governmental Agency Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.
3. The Governmental Agency is a duly organized and presently existing municipal corporation with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Governmental Agency Bonds, all under the Local Statute and other applicable provisions of law.
4. The Governmental Agency has legally and effectively adopted the Local Act and all other necessary resolutions and orders in connection with the issuance and sale of the Governmental Agency Bonds.
5. The Governmental Agency Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the net revenues of said System.
6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Governmental Agency Bonds, as provided in the Local Act.
7. The interest on the Governmental Agency Bonds is excludable from gross income for federal income tax purposes and is

not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in the preceding sentence is subject to the condition that the Governmental Agency comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Governmental Agency Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Governmental Agency Bonds to be includable in gross income retroactive to the date of issuance of the Governmental Agency Bonds. The Governmental Agency has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences with respect to the Governmental Agency Bonds.

8. The Governmental Agency Bonds and the interest thereon are, by the Local Statute, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

It is to be understood that the rights of the holders of the Governmental Agency Bonds and the enforceability of the Governmental Agency Bonds, and the Local Act may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that such enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

ABB041DB

Tackson & Kelly

BIBBY & GOOD
ATTORNEYS
SUITE 808 SECURITY BUILDING
POST OFFICE BOX 2106
CHARLESTON, WEST VIRGINIA 25328-2106

JAMES A. BIBBY, JR.
ALBERT F. GOOD

September 2, 1994

PHONE (304) 343-5531
FAX (304) 343-5533

W. Va. Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Jackson & Kelly
Post Office Box 553
Charleston, West Virginia 25322-0553

Re: The Town of Cedar Grove, West Virginia
\$222,304 Sewer Revenue Bonds, Series 1994

Ladies and Gentlemen:

I am Counsel to The Town of Cedar Grove, West Virginia (the "Town"). As such counsel, I have examined copies of the approving opinions of Jackson & Kelly, as bond counsel, relating to the above captioned bonds of the Town (the "Bonds"), the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority") and the Town, dated September 2, 1994, and a Bond Ordinance duly passed by the Council of the Town (the "Council") on June 28, 1994, effective July 12, 1994, as supplemented by Supplemental Resolutions adopted July 26, 1994, August 9, 1994 and September 1, 1994 (collectively, the "Ordinance"), and other documents relating to the Bonds. Terms used in said opinions, the Loan Agreement and Ordinance and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Town and, assuming due authorization, execution and delivery by the Authority, constitute valid and binding agreements of Town in accordance with their terms.

2. The members of the Council were duly and properly elected or appointed and are thereby authorized to act on behalf of the Town.

3. The Ordinance has been duly enacted by the Council of the Town and is in full force and effect.

4. The Town has received all permits, licenses, approvals and authorizations necessary for the issuance of the Bonds, construction of the Project, operation of the System and imposition of rates and charges, including, without limitation, the receipt of all requisite orders and approvals from the Public

W. Va. Water Development Authority
Jackson & Kelly
September 2, 1994
Page Two

Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance prescribing such rates and charges. The time for appeal of such rate ordinance has expired prior to the date hereof without any appeal. The time for appeal of the Final Order of the Public Service Commission of West Virginia entered November 9, 1993 (Case No. 93-0466-PSD-S-PC), granting to the Town a Certificate of Convenience and Necessity with respect to the Project has expired prior to the date hereof.

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

6. The Town has received all the necessary permits, licenses, approvals and authorizations that are presently obtainable to construct the Project.

7. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

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

Very truly yours,



Albert F. Good
Counsel to the Town of
Cedar Grove, West Virginia

AFG/rdb