

THE TOWN OF CEREDO, WEST VIRGINIA
\$618,069 Sewer Revenue Bonds, Series 1991
\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

Date of Closing: July 10, 1991

THE TOWN OF CEREDO, WEST VIRGINIA

INTERIM FINANCING AND BOND ORDINANCE

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INTERIM FINANCING AND BOND ORDINANCE

An Ordinance authorizing the acquisition and construction of certain extensions, improvements and betterments to the existing sewer system of The Town of Ceredo and the financing of the costs thereof, not otherwise provided, through the issuance by The Town of Ceredo of not more than \$800,000 in aggregate principal amount of Sewer Revenue Bonds and not more than \$100,000 in aggregate principal amount of Supplemental Sewer Revenue Bonds and authorizing not more than \$500,000 in interim construction financing, consisting of a line of credit evidenced by notes; defining and prescribing the terms and provisions of the Bonds and the Notes; providing for the rights and remedies of and security for the Registered Owners of the Bonds and the Notes; and adopting other provisions related thereto.

Be It Enacted And Ordained By The Council Of The Town Of Ceredo, 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:

A. "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.

B. "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.

C. "Authority Loan Agreements" means, collectively, Loan Agreement and the Supplemental Loan Agreement as both are hereinafter defined.

D. "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.

E. "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.

F. "Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01(3) hereof.

G. "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.

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

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

J. "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.

K. "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.

L. "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.

M. "Consulting Engineers" means Regula Engineering, Inc., Huntington, 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.

N. "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.

O. "Council" means the Common 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.

P. "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.

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

R. "EPA Grant" means the Step II/III grant from EPA awarded September 25, 1987, pursuant to an EPA Assistance Agreement, as it may be supplemented or amended.

S. "Event of Default" means any event or occurrence specified in Section 8.01.

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

U. "Feasibility Study" or similar phrases mean the 201 Facilities Plan (Step I) approved by EPA.

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

W. "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.

X. "Grant Agreement" means a written commitment for the payment of the EPA 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 and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

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

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

AA. "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.

BB. "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.

CC. "Line of Credit" means the irrevocable line of credit in an amount not to exceed \$500,000 authorized by Section 3.01 hereof, the terms and amount of which may be approved by a resolution supplemental hereto.

DD. "Line of Credit Agreement" means the agreement, if any, establishing the Line of Credit, said agreement to be approved by a resolution supplemental hereto.

EE. "Loan Agreement" means the loan agreement 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 Primary Bonds originally authorized hereby with a portion of the proceeds of the next issue of the Original Bonds Purchaser's bonds issued with respect to the Program as hereinafter defined and which shall be approved by the Supplemental Resolution.

FF. "Mayor" means the Mayor of the Town.

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

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

II. "Notes" or "Credit Line Note" means the not more than \$500,000 in aggregate principal amount of interim construction financing, consisting of grant anticipation notes or a Line of Credit evidenced by notes, or any combination of the foregoing, as authorized by Article III hereof and, unless the context clearly indicates otherwise, the term "Notes" includes any refunding grant anticipation notes of the Town.

JJ. "Notes Registrar" means the Registrar for the Notes which may be designated by a resolution supplemental hereto.

KK. "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 Notes or 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.

LL. "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.

MM. "Original Bonds" means, collectively the Original Primary Bonds and the Original Supplemental Bonds, both as hereinafter defined.

NN. "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.

OO. "Original Notes Purchaser" means, in the event the Notes are issued, the original purchaser of the Notes as shall be named in a resolution supplemental hereto, and in the event a note or notes evidencing a Line of Credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

PP. "Original Primary Bonds" means the not more than \$800,000 in aggregate principal amount of Sewer Revenue Bonds, originally authorized hereby to pay a portion of the Costs of the Project.

QQ. "Original Supplemental Bonds" means the not more than \$100,000 in aggregate principal amount of Supplemental Sewer Revenue Bonds, originally authorized hereby to pay a portion of the Costs of the Project.

RR. "Other Grants" means any other grant, except for the EPA Grant, hereafter received by the Town to aid in financing any Costs of Project.

SS. "Outstanding," when used with reference to Bonds or Notes, as of any particular date, describes all Bonds or Notes theretofore and thereupon being issued and delivered except (a) any Bond or Note cancelled by the respective registrars at or prior to said date; (b) any Bond or Note 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 or Note deemed to have been paid as provided in Section 10.01 hereof; and (d) with respect to determining a specified percentage of Registered Owners for the purpose of consents, notices and the like, any Bond or Note registered to the Town.

TT. "Parity Bonds" means, collectively, Parity Primary Bonds and Parity Supplemental Bonds.

UU. "Parity Primary Bonds" means any additional bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof, payable from net revenues on a parity with the Original Primary Bonds.

VV. "Parity Supplemental Bonds" means any additional bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof, payable from net revenues on a parity with the Original Supplemental Bonds.

WW. "Paying Agent" means the bank or banks or other entity designated as such for the Notes in resolutions supplemental hereto and means with respect to the Original Bonds the Commission.

XX. "Primary Bonds" means, collectively the not more than \$800,000 in aggregate principal amount of Original Primary Bonds and any Parity Primary Bonds hereafter issued.

YY. "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.

ZZ. "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.

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

BB. "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.

CC. "Recorder" means the Recorder of the Town.

DD. "Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01(2).

EE. "Reserve Account" means the account in the Sinking Fund, as hereinafter defined, created by Section 5.02(1)(a).

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

GG. "Revenue Fund" means the revenue fund created by Section 5.01(1).

HH. "Sanitary Board" or "Board" means the Sanitary Board of the Town established by an ordinance duly enacted by the Council of the Town on February 4, 1963, and any successors to the functions thereof.

II. "Sinking Fund" means the Sinking Fund established for the Primary Bonds by Section 5.02(1).

JJ. "State" means the State of West Virginia.

KK. "Supplemental Bonds" means, collectively the not more than \$100,000 in aggregate principal amount of Original Supplemental Bonds and any Parity Supplemental Bonds hereafter issued.

LL. "Supplemental Loan Agreement" means the loan agreement 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 Supplemental Bonds originally authorized hereby and by the Supplemental Resolution.

MM. "Supplemental Reserve Account" means the account established in the Supplemental Sinking Fund, as hereinafter defined, pursuant to Section 5.02(2)(a).

NN. "Supplemental Reserve Requirement" means the maximum amount of principal and interest, if any, which will become due on the Supplemental Bonds in the then current and any succeeding year.

OO. "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 and the Supplemental Resolution authorizing the sale of the Notes, as the case may be; provided, that any provision intended to be included in the Supplemental Resolution with respect to the Original Bonds or the Notes, as the case may be, and not so included may be contained in any other Supplemental Resolution.

PP. "Supplemental Sinking Fund" means the Supplemental Sinking Fund established for the Supplemental Bonds by Section 5.02(2).

QQ. "Surplus Revenues" means the Net Revenues not required by this Ordinance to be set aside and held in, including but not limited to, sinking funds, the reserve accounts and the renewal and replacement funds 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.

RR. "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.

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

TT. "Town" means The Town of Ceredo, a municipal corporation, in Wayne 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.

UU. 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.

VV. 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.

WW. 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.

XX. 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 now owns and operates public works for the collection, treatment, purification and disposal of sewage.

(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 and Notes.

(D) The Town has been awarded the EPA Grant by that certain EPA Assistance Agreement dated September 25, 1987. Said Agreement is for a Step II/III grant.

(F) 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.

(G) The estimated maximum cost of the construction of the Project is \$2,073,676, of which approximately \$800,000 will be permanently obtained from the proceeds of the Original Bonds herein authorized, approximately \$1,133,746 will be obtained from the EPA Grant and approximately \$139,930 from funds of the Town. The Town may obtain such Other Grants and contributions from other sources as may be necessary to pay Costs of Project.

(H) It is deemed necessary for the Town to issue its Original Primary Bonds in an aggregate principal amount not to exceed \$800,000, and its Original Supplemental Bonds in the aggregate principal amount not to exceed more than \$100,000, to permanently finance the costs of acquisition and construction of the Project and contemporaneously therewith, or as soon as practical thereafter if and when the Council shall deem it to be in the best interest of the Town, to issue its Notes in the aggregate principal amount of not more than \$500,000. Said costs shall be deemed to include 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; the cost of interim financing for such Project; interest on the Original Bonds prior to, during and for six months after the estimated date of completion of construction of the Project; interest upon the Notes during the term thereof; 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 or the Notes, as the case may be, and such other expenses as may be necessary or desirable to said acquisition and construction of the Project and placing the same in operation and the financing authorized by this Ordinance and with respect to the Notes, any commitment fees to a bank or banks for the issuance of letters of credit and any costs of obtaining insurance thereon; 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 Notes, as the case may be, or the repayment of indebtedness incurred by the Town for such purposes shall be deemed costs of the Project.

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

(J) 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 adequate reserve funds and adequate renewal and replacement funds and pay the principal of and interest on the Original Bonds authorized to be issued pursuant to this Ordinance.

(K) 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.

(L) 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 and the Notes, or will have so complied prior to issuance of any 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.

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

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

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

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

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

(R) 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 and Notes will be issued, will not exceed \$5,000,000. The Town reasonably expects to issue its Original Bonds and Notes, if any, in 1991.

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

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

(U) The Bonds and Notes will not be federally guaranteed within the meaning of the Code.

(V) 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 1991, and hereby designate the Notes 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 and the Notes, as the case may be, authorized to be issued hereunder by those who shall respectively 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 and Notes, as the case may be, authorized to be issued hereunder all of which shall respectively be of equal rank and without preference, priority or distinction between any one Note and any other Notes, between any one Primary Bond and any other Primary Bonds and between any one Supplemental Bond and any other Supplemental Bonds, as the case may be, 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 therefor prepared 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
LINE OF CREDIT

Section 3.01. Authorization of Line of Credit. To provide funds for the acquisition and construction of the Project to the extent Grant Receipts and other funds are not available therefor, the Mayor of the Town is hereby authorized to arrange for a Line of Credit in an amount not to exceed \$500,000. The amount and terms of the Line of Credit may be approved by a resolution supplemental hereto.

Section 3.02. Authorization of Credit Line Note. For the purpose of evidencing any draw upon the Line of Credit and thus, of financing a portion of the cost of acquisition and construction of the Project, there may be issued the Credit Line Note of the Town in an amount and upon such terms as set forth in a resolution supplemental hereto. The Credit Line Note may be issued in single, fully registered form and dated as of the date of delivery thereof. There shall be attached to the Credit Line Note a Record of Advances and Payments, upon which the date and principal amount of any draw upon the Line of Credit, the date and amount of any payment of principal of the Credit Line Note and the amount of the Credit Line Note outstanding after either of said transactions shall be recorded. Anything to the contrary herein, in the Line of Credit Agreement or therein notwithstanding, the Credit Line Note shall evidence only the outstanding indebtedness recorded on the Record of Advances and Payments attached thereto, and interest shall accrue only on the amount if each advance from the actual date thereof as listed on said Record of Advances and Payments. Each such advance shall bear interest, payable at such times and at a rate set forth in a supplemental resolution, but not to exceed the then legally permissible limit. Interest shall cease to accrue on the amount of the Credit Line Note outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. The Credit Line Note shall mature not more than thirty (30) months from the date thereof. The Credit Line Note shall be subject to such further terms as shall be provided by the Line of Credit Agreement. Notwithstanding the foregoing, the terms of the Credit Line Note, other than the principal amount thereof, may be modified by resolution supplemental and amendatory hereto, subject to the limits of the Act.

The Credit Line Note shall be payable as to principal upon surrender at the principal office of the Notes Registrar, in any coin or currency which on the date of payment of principal is legal tender for the payment of public and private debts under the laws of the United States of America; provided, that any partial payment or principal prior to the final

maturity of the Credit Line Note shall be recorded on the Record of Advances and Payments attached to the Credit Line Note, and the Credit Line Note shall be returned to the Registered Owner. Interest on the Credit Line Note shall be paid by check or draft mailed to the Registered Owner thereof at the address as it appears on the books of said Notes Registrar; provided, that, at the option of the Registered Owner, such payment may be made by wire transfer or such other lawful method as shall be mutually agreeable.

Section 3.03. Execution of Credit Line Note. The Credit Line Note shall be executed in the name of the Town by the signature of its Mayor, and the seal of the Town shall be impressed thereon and attested by the signature of the Recorder. Any Credit Line Note may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Credit Line Note shall hold the proper office of the Town, although at the date of such Credit Line Note such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Credit Line Note shall be and have all of the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, and each successive Registered Owner, in accepting the Credit Line Note, shall be conclusively deemed to have agreed that said Credit Line Note shall be incontestable in the hands of a bona fide holder for value.

So long as the Credit Line Note or any portion thereof remains Outstanding, the Notes Registrar shall keep and maintain books for the registration and transfer of the Credit Line Note. The Credit Line Note shall be transferable only upon the books of the Notes Registrar which shall be kept for that purpose at the office of the Notes Registrar (and in such capacity as paying agent) by the Registered Owner thereof in person or by its attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Notes Registrar duly executed by the Registered Owner or its duly authorized attorney. Upon the transfer of the Credit Line Note, there shall be issued at the option of the Registered Owner or the transferee another Credit Line Note or Notes of the aggregate stated principal amount equal to the stated principal amount of such transferred Credit Line Note not paid as reflected on the Record of Advances and Payments attached thereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount of the transferred Credit Line Note as reflected on the Record of Advances and Payments attached thereto.

In all cases in which the privilege of transferring the Credit Line Note is exercised, Credit Line Notes shall only be issued in accordance with the provisions of this Ordinance and the Supplemental Resolution. All Credit Line Notes surrendered in any such transfers shall forthwith be cancelled by the Notes Registrar. For every such transfer of Credit Line Notes, the Notes Registrar may make a charge sufficient to reimburse its office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each Credit Line Note upon each transfer, and any other expenses of the Notes Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The Notes Registrar shall not be obligated to make any such transfer of Credit Line Notes during the ten (10) days preceding an interest payment date on the Credit Line Notes or after notice of any prepayment of the Credit Line Notes have been given.

Section 3.05. Form of Credit Line Note and Line of Credit Agreement. The text of the Credit Line Note and the Line of Credit Agreement shall be in substantially the form set forth in the Supplemental Resolution. The Line of Credit Agreement shall be executed on behalf of the Town by the Mayor. The Credit Line Note shall not become valid until manually authenticated and registered by the Notes Registrar.

ARTICLE IV

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 4.01. 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 and the Supplemental 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. Original Bonds shall be issued contemporaneously with or prior to any issuance of the Notes. The proceeds of the Original Bonds shall be applied as provided in Section 6.01.

Section 4.02. Terms of Original Bonds. The Original Primary Bonds shall be originally issued in the form of a single bond, designated Sewer Revenue Bond No. R-1, fully registered to the Original Bonds Purchaser, in the principal amount of not more than \$800,000 as shall be set forth in the Supplemental Resolution. The Original Primary Bonds shall be dated the date of delivery thereof; shall be designated as to series; shall bear interest at the rate per annum, not to exceed the maximum legal limit; shall bear interest payable semiannually on such date; 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 Original Supplemental Bonds shall be originally issued in the form of a single bond, designated Supplemental Sewer Revenue Bond No. SR-1, fully registered to the Original Bonds Purchaser, in the principal amount of not more than \$100,000 as shall be set forth in the Supplemental Resolution. The Original Supplemental Bonds shall be dated the date of delivery thereof; shall be designated as to series; shall bear interest, if any, at the rate per annum, not to exceed the maximum legal limit; shall bear interest, if any, payable semiannually on such date; 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 Authority Loan Agreements.

Section 4.03 Additional Terms of Bonds. In addition to the terms set forth in Sections 4.01 and 4.02 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 Authority Loan Agreements, and of any resolution of the Original Bonds Purchaser authorizing the issuance of bonds pursuant to the Program.

Section 4.04 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 4.05. 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 4.09, 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 4.06. 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 change 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 4.07. 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 and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 4.08. Bonds Secured by Pledge of Net Revenues; Not to be Indebtedness of the Town. The payment of the debt service of all of the Primary Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The payment of the debt service of all of the Supplemental Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior, subordinate and inferior to the lien on the Net Revenues in favor of the Primary Bonds. 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, the Renewal and Replacement Fund and the Supplemental Sinking Fund and the Supplemental Reserve Fund Account therein, 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 4.09. 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 CEREDO
SEWER REVENUE BONDS
SERIES 1991

No. R-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, 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 _____ 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)] (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 enacted by the Council of the Town on the _____ day of _____, 1991, and supplemented thereby on the _____ day of _____, 1991 (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, on the Supplemental Bonds, as hereinafter defined, and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds and said Supplemental 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, there exist in the reserve account for said Supplemental Bonds sufficient moneys to pay the maximum amount of principal and interest, if any, which will become due on said

Supplemental 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 or said Supplemental 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 provision of the Act is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

This Bond is issued contemporaneously with the Supplemental Sewer Revenue Bonds, Series 1991, of the Town (the "Supplemental Bonds"), issued in the aggregate amount of \$_____, which Supplemental Bonds are junior and subordinate with respect to liens and sources of and security for payment of the Bonds of this issue.

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 CEREDO 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 13th day of May, 1991.

Mose R. Napier
Mayor

[SEAL]

ATTEST:

Stanley E. Fink
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Sewer Revenue Bonds, Series 1991, 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:

[FORM OF THE SUPPLEMENTAL BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE TOWN OF CEREDO
SUPPLEMENTAL SEWER REVENUE BOND,
SERIES 1991

No. SR-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, a municipal corporation of the State of West Virginia, in Wayne County of said State, (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 _____ of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference.

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"). This Bond bears no interest.

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and as otherwise provided by the Supplemental 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 fund the Supplemental Reserve Account, as hereinafter defined, and (3)] (2) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), an Ordinance duly enacted by the Town on the _____ day of _____, 1991, and supplemented thereby on the _____ day of _____, 1991, (collectively, the "Ordinance"), and is subject to all the terms and conditions thereof. 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 issued contemporaneously with the Sewer Revenue Bonds, Series 1991 of the Town (the "Primary Bonds") issued in the aggregate principal amount of \$_____, which Primary Bonds rank prior with respect to liens and sources of and security for payment to the Bonds of this issue.

This Bond is payable only from and secured by a lien, subordinate only to the Primary Bonds on the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Supplemental Reserve Account created under the Ordinance (the "Supplemental Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall the Town be obligated to pay the same except from said special fund provided from the Net Revenues, the moneys in the Supplemental Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Primary Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds and the Primary Bonds, provided however, that so long as there exists in the Supplemental Reserve Account and in the reserve account for the Primary Bonds amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and on the Primary Bonds, respectively, in any year, and the reserve accounts for any such obligations prior to or on a parity with the Bonds or the Primary 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 the 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 _____, _____, West Virginia, as registrar (the "Registrar"), kept for that

purpose at the office of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

All money received from the sale of this Bond after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of Project described in the Ordinance, 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; provided that such lien on moneys deposited in the Bond Construction Trust Fund created by the Ordinance shall be subordinate to that of the Primary Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the 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 has been pledged to and will be set aside into said special fund by the Town for the prompt payment of the principal 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 CEREDO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated _____, 1991.

[SEAL]

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Supplemental Sewer Revenue Bonds, Series _____ described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner set forth above.

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

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. 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 5.02. 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;
- (2) Supplemental Sinking Fund; and

- (a) Within the Supplemental Sinking Fund, the Supplemental Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this 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 Primary 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 Primary 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 Primary 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 Primary 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 Primary 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 Primary 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 Primary 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 Primary 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 IX 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) The Town shall next, on the first day of each month, commencing thirteen months prior to the first date of payment of principal on the Supplemental Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for the deposit in the Supplemental Sinking Fund, the sum equal to 1/12 of the amount of principal which will mature and become due on said Supplemental Bonds on the ensuing principal payment date.

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

(3) Moneys in the Supplemental Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Supplemental Bonds as the same shall become due. Moneys in the Supplemental Reserve Account and the Supplemental Sinking Fund shall be used only for the purpose of paying principal of or interest, if any, on the Supplemental Bonds, as the same shall become due, when other moneys in the Supplemental Sinking Fund are insufficient therefor, and for no

other purpose. All investment earnings on moneys in the Supplemental Sinking Fund and the Supplemental 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.

C. (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 or Supplemental 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 or Supplemental Reserve Account in an amount equal to the respective Reserve Requirement.

(2) The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund and the Supplemental Sinking Fund created hereunder, and all amounts required for said Sinking Fund and the Supplemental 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 and the Supplemental 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.

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in 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, the Supplemental Sinking Fund, including the Supplemental 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, including a pledge to and payment of the Notes, if any.

E. The Town shall remit from the Revenue Fund to the Commission, the applicable Registrars, Depository Banks or Paying Agents, on such dates as the Commission, the applicable Registrars, Depository Banks or the Paying Agents, 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 Registrars and the Paying Agent.

F. 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.

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

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. 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 Primary 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 or the Supplemental Reserve Requirement shall be deposited in the Reserve Account and the Supplemental Reserve Account, respectively, with the Commission; provided, that such amounts shall not exceed in aggregate 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 6.02. 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 IX 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 Authority Loan Agreements, (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 the Supplemental Reserve Account or to fund the Reserve Account at the respective requirements therefor; and (iii) if the reserve accounts are 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 a proportion amount of the principal of the Original Bonds by depositing into Sinking Fund and the Supplemental Sinking Fund, respectively, 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 Primary Bonds and the Original Supplemental Bonds, as the case may be. 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; provided, that the lien in favor of the registered owners of the Original Primary Bonds shall be prior to the lien in favor of the registered owners of the Original Supplemental 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.

ARTICLE VII

ADDITIONAL COVENANTS OF THE TOWN

Section 7.01. 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 and Notes. 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 VII. 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.

Until the payment in full of the principal of and interest on the Notes when due, the covenants, agreements and provisions contained in this Ordinance shall, where applicable, inure to the benefit of the Registered Owners of the Notes and constitute valid and legally binding covenants of the Town, enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of said Notes.

Section 7.02. Bonds and Notes Not To Be Indebtedness of the Town. The Bonds and Notes 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 or Notes issued hereunder shall ever have the right to compel the exercise of the taxing power of the Town to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Primary 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 payment of the debt service of the Supplemental Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, on a basis junior and subordinate to the Primary Bonds. 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 and the Supplemental Sinking Fund, including the Reserve Accounts 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 7.04. 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, an amount at least equal to the Supplemental Reserve Requirement is on deposit in the Supplemental 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 7.05. 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 7.06. 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 Supplemental 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 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 the Supplemental Sinking Fund and shall be applied only to the redemption or purchase, at prices not greater than the applicable 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 and the Supplemental 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 7.07. 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 7.08 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 7.08. 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, the Supplemental 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 7.08. 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. Except as expressly provided herein, no Parity Primary Bonds shall be issued so long as any Supplemental Bond remains Outstanding.

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 Primary Bonds and the Owners of any Parity Bonds and the Owners of the Supplemental Bonds and the Parity Supplemental Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All the Primary 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 Primary Bond over any other. All the Supplemental Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source of and security for payment from said revenues, without preference of any Supplemental Bond over any others. 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 Primary Bonds and Supplemental 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 other conditions 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 7.07 and in this Section 7.08 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 and Parity Supplemental 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 and Parity Supplemental Bonds shall be in years and amounts suggested by the Original Bonds Purchaser.

As long as any Supplemental Bonds are Outstanding, the Town may issue Parity Supplemental Bonds upon satisfaction of the tests set forth above and taking into consideration all debt service requirements on all bonds superior to or on a parity with the Supplemental Bonds and including the proposed Parity Supplemental Bonds.

Section 7.09. 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 or of a Note or Notes 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, the Original Bonds Purchaser and the Notes Purchaser, and shall mail in each year to any Registered Owner of Bonds or Notes as the case may be, requesting the same, an annual report containing the following:

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

B. A balance sheet statement showing all deposits in all the funds and accounts provided for in this Ordinance with respect to said Bonds or Notes, as the case may be, 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 or Notes. The report of said audit shall include a statement that the Town is in compliance with the terms and provisions of the Authority Loan Agreements and this Ordinance.

Section 7.10. 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 or Note, 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 or Note, as the case may be, or anyone acting for and in behalf of such Registered Owner.

Section 7.11. 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 7.12. 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 7.13. 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 Authority Loan Agreements, 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 7.14. 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 7.15. 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 7.16. Public Purpose Bonds. The Town shall use the Bond or Note proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Town.

Section 7.17. Private Activity Bond Covenant. The Town shall not permit at any time or times any of the proceeds of the Bonds or Notes 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 or Notes from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds or Notes 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 or Notes.

Section 7.18. Filing Covenant. The Town will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds or Notes, including, without limitation, the information return required under Section 149(e) of the Code.

Section 7.19. Federal Guarantee Covenant. The Bonds or Notes, 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 7.20. 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 7.17 and 7.18, the Original Bonds or Notes 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 or Notes 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 1991, in which the Original Bonds and the Notes, if any, are to be issued. Therefore, the Town believes that it is excepted for 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 7.21. 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 7.22. 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 13.01 hereof, the Town shall without consent of the Registered Owners of the Bonds or Notes, as the case may be, 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 or Notes. 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 VIII

DEFAULTS AND REMEDIES

Section 8.01. 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.

An "Event of Default" with respect to the Bonds shall not constitute an Event of Default with respect to the Notes and vice versa.

Section 8.02. 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, provided, however, that no remedy herein stated may be exercised by a Registered Owner of a Note in a manner which adversely affects any remedy available to the Registered Owners of the Bonds, and further provided that all rights and remedies of the Registered Owners of the Supplemental Bonds shall be subject to those of the Registered Owners of the Primary Bonds.

Section 8.03. 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.

The receiver shall recognize that the lien of the Primary Bonds is prior and superior to that of the Supplemental Bonds and shall act accordingly.

ARTICLE IX

INVESTMENTS; NON-ARBITRAGE

Section 9.01. 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 of 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 9.02. 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 9.03. Tax Certificate and Rebate. The Town shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Town covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

The Town shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Town shall deposit, or cause to be deposited, with the Depository Bank in a separate fund designated the Rebate Fund, such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder, if any, and used only for payment of rebatable arbitrage to the United States. The Town shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Town to be used for any lawful purpose of the System. The Town shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Town shall assure that such payments are made by the Town to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Town shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Town. To the extent not so performed by the Authority, the Town and the Depository Bank (at the expense of the Town) may provide for the employment of independent

attorneys, accountants or consultants compensated on such reasonable basis as the Town or the Depository Bank may deem appropriate in order to assure compliance with this Section 9.03. The Town shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 9.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Town fails to make such rebates as required, the Town shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for Federal income tax purposes.

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 9.04. 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 X

DEFEASANCE

Section 10.01. Defeasance of Primary Bonds. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the owners of all Primary 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 with respect to the Primary Bonds only, 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 Primary 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.

Primary 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 Primary Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Primary 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 Primary 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 Primary 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.

Section 10.02. Defeasance of Supplemental Bonds. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the respective Owners of all Supplemental Bonds, the principal and interest, if any, thereof, at the times and in the manner stipulated therein and in this Ordinance, then with respect to the Supplemental Bonds only, 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 Supplemental 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 or redemption of Bonds not theretofore surrendered for such payment or redemption.

Supplemental Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and 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 installments of such Supplemental Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Supplemental 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 it 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 agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due (whether by maturity or redemption) the principal installments of said Supplemental 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 purpose other than, and shall be held in trust for, the payment of the principal installments of said Supplemental Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Supplemental Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Town as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations and Advance-Refunded Municipal Bonds. 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 remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the 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 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 a date named in the said notice, which date shall be not less than 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 XI

MISCELLANEOUS

Section 11.01. 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 Notes or Bonds shall be made without the consent in writing of the Owners of two-thirds percent (2/3%) or more in principal amount of the Notes or Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Note or Notes or 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 Notes or Bonds respectively, required for consent to the above-permitted amendments or modifications.

Section 11.02. 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 11.03. 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.

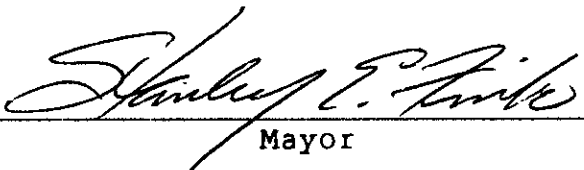
Section 11.04. Repeal of Conflicting Ordinances. All ordinances, resolutions and orders, or parts thereof, in conflict with this Ordinance are, to the extent of such conflict, repealed.

Section 11.05. 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 11.06. Effective Date. This Ordinance shall take effect after notice and public hearing hereon in accordance with the Act.

First Reading: May 6, 1991
Second Reading and Passage: May 13, 1991
Public Hearing: June 3, 1991
Effective Date: June 3, 1991

[SEAL]


Mayor


Recorder

0952H

EXHIBIT A

The Project consists of the following contents:

- A. Contract I consists of 10,350 ft. of 18" force main.
- B. Contract II consists of a 25 horsepower 520 GPM duplex pump station, a 10 horsepower 134 GPM duplex pump station, 1490 ft. of 4" force main, 30 ft. of 12" gravity sewer, 150 ft. of 10" gravity sewer, 1630 ft. of 8" gravity sewer, 270 ft. of 6" gravity sewer, 11 manholes, an odor control system and appurtenances.
- C. III-A 2375 feet of 1 1/2" force main, 2010 feet of 8" gravity sewer, 3 duplex grinder pumps, 11 simplex grinder pumps, 30 gravity service connections and appurtenances.

III-B 4443 Feet of 1 1/2" force main, 16 simplex grinder pumps, 1 duplex grinder pump and appurtenances.

The Project will update the Town's System and transport the Town's effluent to the City of Huntington's wastewater treatment facility.

CERTIFICATE

I, the undersigned, Recorder for the Town of Ceredo, West Virginia, do hereby certify that the foregoing document is a true and accurate copy of the Interim Financing and Bond Ordinance adopted by the Common Council of The Town of Ceredo at a duly called special meeting on May 13, 1991.

Dated the 13 day of May, 1991.



RECORDER

WDA-5
(July 1990)

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 CEREDO
(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, designated in the Application and any 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 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.

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 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 in respect of 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 representatives, to inspect all books, documents, papers and records relating to the Project 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 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 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.

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.

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 delivered to the Authority for purchase 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, 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), 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) 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 execute this Loan Agreement 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, 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 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 Ceredo

[Proper Name of Governmental Agency]

(SEAL)

By: *Stanley E. Smith*
Its: Mayor

Attest:

Date: July 10, 1991

Charles R. Bick
Its Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: *Daniel B. Yorks*
Director

Attest:

Date: July 10, 1991

Barbara B. Meadows
Secretary-Treasurer

WDA-5X
(July 1990)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 618,069.00
Purchase Price of Local Bonds \$ 618,069.00

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 8.10 % 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
Local Loan From Series 1990 A Pool
Debt Service Schedule - TOWN OF CEREDO

Date	Coupon	Principal	Interest	Debt Service 8.10% Bonds
Oct. 1, 1991			11,264.31	11,264.31
Oct. 1, 1992	8.10	2,737.00	50,063.59	52,800.59
Oct. 1, 1993	8.10	2,959.00	49,841.89	52,800.89
Oct. 1, 1994	8.10	3,198.00	49,602.21	52,800.21
Oct. 1, 1995	8.10	3,457.00	49,343.18	52,800.18
Oct. 1, 1996	8.10	3,737.00	49,063.16	52,800.16
Oct. 1, 1997	8.10	4,040.00	48,760.46	52,800.46
Oct. 1, 1998	8.10	4,367.00	48,433.22	52,800.22
Oct. 1, 1999	8.10	4,721.00	48,079.49	52,800.49
Oct. 1, 2000	8.10	5,103.00	47,697.09	52,800.09
Oct. 1, 2001	8.10	5,517.00	47,283.75	52,800.75
Oct. 1, 2002	8.10	5,964.00	46,836.87	52,800.87
Oct. 1, 2003	8.10	6,447.00	46,353.79	52,800.79
Oct. 1, 2004	8.10	6,969.00	45,831.58	52,800.58
Oct. 1, 2005	8.10	7,533.00	45,267.09	52,800.09
Oct. 1, 2006	8.10	8,144.00	44,656.92	52,800.92
Oct. 1, 2007	8.10	8,803.00	43,997.26	52,800.26
Oct. 1, 2008	8.10	9,517.00	43,284.21	52,801.21
Oct. 1, 2009	8.10	10,287.00	42,513.34	52,800.34
Oct. 1, 2010	8.10	11,120.00	41,680.09	52,800.09
Oct. 1, 2011	8.10	12,021.00	40,779.37	52,800.37
Oct. 1, 2012	8.10	12,995.00	39,805.67	52,800.67
Oct. 1, 2013	8.10	14,048.00	38,753.07	52,801.07
Oct. 1, 2014	8.10	15,186.00	37,615.19	52,801.19
Oct. 1, 2015	8.10	16,415.00	36,385.12	52,800.12
Oct. 1, 2016	8.10	17,745.00	35,055.50	52,800.50
Oct. 1, 2017	8.10	19,183.00	33,618.16	52,801.16
Oct. 1, 2018	8.10	20,736.00	32,064.34	52,800.34
Oct. 1, 2019	8.10	22,416.00	30,384.72	52,800.72
Oct. 1, 2020	8.10	24,232.00	28,569.02	52,801.02
Oct. 1, 2021	8.10	26,194.00	26,606.23	52,800.23
Oct. 1, 2022	8.10	28,316.00	24,484.52	52,800.52
Oct. 1, 2023	8.10	30,610.00	22,190.92	52,800.92
Oct. 1, 2024	8.10	33,089.00	19,711.51	52,800.51
Oct. 1, 2025	8.10	35,769.00	17,031.30	52,800.30
Oct. 1, 2026	8.10	38,667.00	14,134.01	52,801.01
Oct. 1, 2027	8.10	41,799.00	11,001.99	52,800.99
Oct. 1, 2028	8.10	45,184.00	7,616.27	52,800.27
Oct. 1, 2029	8.10	48,844.00	3,956.36	52,800.36
		<u>\$618,069.00</u>	<u>\$1,399,616.77</u>	<u>\$2,017,685.77</u>

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 ($2\frac{1}{2}\%$) 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 Natural Resources 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 Natural Resources 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.

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL 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 CEREDO
(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, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct or is constructing 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;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement").

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefore, 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 supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the 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 general resolution adopted by the Authority on May 22, 1985, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental 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; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 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.

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

1.4 "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.

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

1.6 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

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

1.8 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

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 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 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 Supplemental 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 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.

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 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 in respect of 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 representatives, to inspect all books, documents, papers and records relating to the Project 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 and the administration of the Supplemental Loan or of 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 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.

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.

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 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 Supplemental 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.

ARTICLE III

Conditions to Supplemental Loan; Issuance of Supplemental Bonds

3.1 The agreement of the Authority to make the Supplemental 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 Supplemental Bonds, which shall be the date established pursuant to Section 3.4 of the Loan Agreement for delivery of the Local Bonds. 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 Supplemental Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(c) The Governmental Agency shall have 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 the Authority shall have received a certificate of the Consulting Engineers to such effect;

(d) 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;

(e) 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 issuance of the Supplemental Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), 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, to such effect;

(f) 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

(g) The net proceeds of the Supplemental Bonds, together with the net proceeds of the Local Bonds and all other 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) 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 such person or firm and in form and substance satisfactory to the Authority, to such effect and evidence satisfactory to it of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Supplemental 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 Supplemental Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental 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 Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority, simultaneously with the delivery of the Local Bond to 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 Supplemental Loan Agreement and the 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 under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan; Repayment of Supplemental Loan; No Interest on Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental 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 Supplemental Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

(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 the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by Local Bond proceeds with respect to the Local Bonds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), as the case may be, 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 the Supplemental 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 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 and Supplemental 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 Supplemental Bonds, except the Local Bonds and bonds on a parity with the Supplemental Bonds, which parity bonds 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 Supplemental Bonds and parity bonds theretofore and then being issued and on the Local Bonds and any other obligations secured by or payable from the revenues of the System prior to the Supplemental Bonds; provided, however, that additional parity Local Bonds and additional parity Supplemental 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;

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

(viii) That any 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 Supplemental Bonds, the right to obtain the appointment of a receiver to administer the System as provided by law, subject to the prior and senior rights of the owner or owners of the Local Bonds;

(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 Supplemental 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 Supplemental Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Supplemental 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),

provided that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon;

(xv) 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 Water Development Project;

(xvi) 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

(xvii) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

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 Supplemental 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 Supplemental 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 the prior and senior security therefrom for the Local Bonds and 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 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental 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.

4.6 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 Supplemental Program, which administrative expenses shall be as determined by the Authority.

4.7 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.

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 Supplemental 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 Supplemental 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 and the Supplemental 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 Supplemental 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 rate of five percent (5%) per annum, 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 Supplemental Loan Agreement.

6.2 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Supplemental Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time provided, 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 Supplemental Loan and receiving the Supplemental Bonds, the Authority shall have the

right to cancel all or any of its obligations under this Supplemental Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan or the Supplemental 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 the Loan Agreement or this Supplemental Loan Agreement.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Supplemental 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 Supplemental Loan Agreement.

7.2 Schedules X, Y and Z shall be attached to this Supplemental Loan Agreement at the time of execution hereof by the Authority 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 Supplemental 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 Supplemental Loan Agreement, and this Supplemental Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Supplemental 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 Supplemental Loan Agreement.

7.5 No waiver by either party of any term or condition of this Supplemental 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 Supplemental Loan Agreement.

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

7.7 By execution and delivery of this Supplemental Loan Agreement, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental 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 Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

(ii) termination by the Authority pursuant to Section 6.2 hereof; or

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

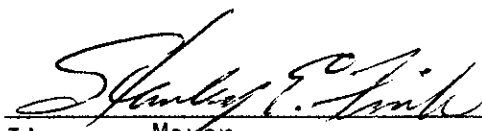
IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Governmental Agency, but this Supplemental Loan Agreement shall not be binding on the Authority until executed by it.

Town of Ceredo

[Proper Name of Governmental Agency]

(SEAL)

By


Its Mayor

Attest:

Date: July 10, 1991


Its Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By

Daniel Byrnes
Director

Attest:

Date:

July 10, 1991

Barbara B Meadows
Secretary-Treasurer

SCHEDULE X
DESCRIPTION OF SUPPLEMENTAL BONDS

Principal Amount of Supplemental Bonds	\$ <u>27,906.00</u>
Purchase Price of Supplemental Bonds	\$ <u>27,906.00</u>

Principal of the Supplemental Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference. The Supplemental Bonds bear no interest.

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

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

**West Virginia Water Development Authority
Local Loan From Series 1990 A Pool
Debt Service Schedule - TOWN OF CEREDO**

Date	Interest Free Loan
Oct. 1, 1991	
Oct. 1, 1992	734.37
Oct. 1, 1993	734.37
Oct. 1, 1994	734.37
Oct. 1, 1995	734.37
Oct. 1, 1996	734.37
Oct. 1, 1997	734.37
Oct. 1, 1998	734.37
Oct. 1, 1999	734.37
Oct. 1, 2000	734.37
Oct. 1, 2001	734.37
Oct. 1, 2002	734.37
Oct. 1, 2003	734.37
Oct. 1, 2004	734.37
Oct. 1, 2005	734.37
Oct. 1, 2006	734.37
Oct. 1, 2007	734.37
Oct. 1, 2008	734.37
Oct. 1, 2009	734.37
Oct. 1, 2010	734.37
Oct. 1, 2011	734.37
Oct. 1, 2012	734.37
Oct. 1, 2013	734.37
Oct. 1, 2014	734.37
Oct. 1, 2015	734.37
Oct. 1, 2016	734.37
Oct. 1, 2017	734.37
Oct. 1, 2018	734.37
Oct. 1, 2019	734.37
Oct. 1, 2020	734.37
Oct. 1, 2021	734.37
Oct. 1, 2022	734.37
Oct. 1, 2023	734.37
Oct. 1, 2024	734.36
Oct. 1, 2025	734.36
Oct. 1, 2026	734.36
Oct. 1, 2027	734.36
Oct. 1, 2028	734.36
Oct. 1, 2029	734.36
	<u><u>\$27,906.00</u></u>

SCHEDULE Y
REVENUES

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

(i) as prescribed by the Loan Agreement, to pay Operating Expenses of the System;

(ii) as prescribed by the Loan Agreement, 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) as prescribed by the Loan Agreement, 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) beginning thirteen (13) months prior to the first date of payment of principal of the Supplemental Bonds, to provide debt service on the Supplemental Bonds by depositing in a sinking fund one-twelfth (1/12) of the principal payment next coming due on the Supplemental Bonds and, if the Supplemental Reserve Account was not funded concurrently with the issuance thereof in an amount equal to the Supplemental Reserve Requirement, by depositing in the Supplemental 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 Supplemental Reserve Requirement or, if the Supplemental Reserve Account has been so funded (whether by Supplemental Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Supplemental Reserve Account at the Supplemental Reserve Requirement;

(v) to provide debt service on and requisite reserves for any other subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

(vi) 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 a 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 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 Natural Resources 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 Supplemental Loan, the Governmental Agency shall have obtained, among other permits required, permits from the EPA and the West Virginia Division of Natural Resources 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 Supplemental Loan Agreement, and to the prior lien of the Local Bonds, the net revenues derived from the operation of the System are pledged to the payment of the principal of the Supplemental Bonds.

A RESOLUTION SUPPLEMENTING THE INTERIM FINANCING AND BOND ORDINANCE ADOPTED BY THE COMMON COUNCIL OF THE TOWN OF CEREDO ON MAY 13, 1991, EFFECTIVE JUNE 3, 1991; PROVIDING AS TO DATE, SERIES, INTEREST RATE, MATURITIES, SALE PRICE, REDEMPTION PROVISIONS AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1991, AND SUPPLEMENTAL SEWER REVENUE BONDS, SERIES 1991, OF THE TOWN OF CEREDO; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; DESIGNATING THE DEPOSITORY BANK, BOND REGISTRAR AND PAYING AGENT IN CONNECTION WITH SAID BONDS; SETTING FORTH THE TERMS OF THE INTERIM FINANCING AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Common Council (the "Council") of The Town of Ceredo, West Virginia (the "Town"), has duly and effectively adopted on May 13, 1991, effective June 3, 1991, 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 Ceredo and the financing of the costs thereof, not otherwise provided, through the issuance by The Town of Ceredo of not more than \$800,000 in aggregate principal amount of Sewer Revenue Bonds and not more than \$100,000 in aggregate principal amount of Supplemental Sewer Revenue Bonds and authorizing not more than \$500,000 in interim construction financing, consisting of a line of credit evidenced by notes; defining and prescribing the terms and provisions of the Bonds and the Notes; providing for the rights and remedies of and security for the Registered Owners of the Bonds and the Notes; 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 Interim Financing and Bond Ordinance (the "Ordinance"); and

WHEREAS, the Ordinance provides for the issuance of Sewer Revenue Bonds, Series 1991 (the "Primary Bonds") in the aggregate principal amount not to exceed \$800,000 and the Supplemental Sewer Revenue Bonds, Series 1991 (the "Supplemental Bonds") in the aggregate principal amount not to exceed \$100,000 (collectively, herein the "Bonds") of the Town all in accordance with the Act, and the terms of the Loan Agreement and Supplemental Loan Agreement (collectively, 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 First Bank of Ceredo has agreed to provide interim financing for the Project;

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 the respective Reserve Accounts 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 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 and Supplemental Loan Agreement be approved, that the interim financing thus be approved and that other matters relating to the Bonds be herein provided for.

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

(1) 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.

(2) 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 1991, in the aggregate principal amount of \$618,069 (the "Primary Bonds"), and the Supplemental Sewer Revenue Bonds, Series 1991 in the aggregate principal amount of \$27,906 (the "Supplemental Bonds") (collectively, the "Bonds"), all in the form set forth below and in the Ordinance:

(A) The Primary Bonds of the Town shall be originally issued in the form of a single bond, numbered R-1 and designated Series 1991, in the principal amount of \$618,069. The Primary Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 8.10% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1991, 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 Primary Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1992 through 2029, 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 Supplemental Bonds of the Town shall be originally issued in the form of a single bond, numbered SR-1 and designated Series 1991, in the principal amount of \$27,906. The Supplemental Bonds shall be dated the date of delivery thereof, shall be interest free, shall be subject to redemption upon the written consent of the Authority as long as the Authority shall be the registered owner of the Supplemental Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1992 through 2029, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein and herein by reference.

(3) 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 Primary Bonds and Supplemental Bonds by the Mayor shall be conclusive evidence of such approval.

(4) The Town does hereby ratify, approve and accept the Loan Agreement and the Supplemental Loan Agreement, including the "Schedule X" attached to each, copies of which are incorporated herein by reference, and the execution and delivery by the Mayor of the Loan Agreement and the Supplemental 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.

(5) The Town hereby appoints and designates the First Bank of Ceredo, Ceredo, West Virginia, as the Depository Bank for the Bonds.

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

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

(8) The Town hereby directs that \$0.00 of the proceeds of the Primary Bonds, representing capitalized interest, be placed in the Sinking Fund at the Commission.

(9) The Town hereby directs that \$52,801.21 of the proceeds of the Primary Bonds be placed in the Reserve Account and that \$734.37 of the proceeds of the Supplemental Bonds be placed in the Supplemental Reserve Account at the Commission.

(10) The undersigned Stanley E. Fink, duly appointed and acting Mayor of the Town and the undersigned Charles R. Bash, duly appointed and acting 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 the Credit Line Note 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 and the Supplemental Loan Agreement on or about July 10, 1991.

(11) The Town directs that \$28,559 of the proceeds of the Bonds be paid to the Northern Wayne County Public Service District ("Northern Wayne") as a tap fee pursuant to the terms of the Intergovernmental Agreement dated June 3, 1991.

(12) 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.

(13) 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 1991, and the Town believes that it is excepted from the rebate requirement of Section 148(f) of the Code.

(14) The Town does hereby ratify, approve and accept the Line of Credit Agreement and the Credit Line Note with and to the First Bank of Ceredo, substantially in the form set

forth in Exhibits A and B attached hereto and incorporated herein by reference, in the amount not to exceed \$500,000 at the rate of 8.5% per annum. The Credit Line Note shall mature on July 10, 1992. The Mayor is hereby authorized and directed to execute and deliver the Line of Credit Agreement and the Credit Line Note and such other documents or certificates required or desirable in connection with the Line of Credit Agreement, all as more fully set forth in the Ordinance.

(15) The Town hereby appoints and designates First Bank of Ceredo, Ceredo, West Virginia, as Registrar for the Credit Line Note.

(16) 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 1991, and hereby designates the Credit Line Note as a "Qualified Tax-Exempt Obligation" as defined in Section 265(b)(3)(B) of the Code.

(17) 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.

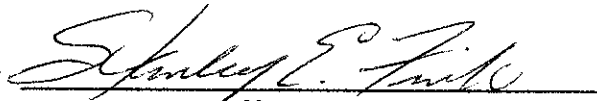
(18) The financing of the Project with proceeds of the Bonds and the Credit Line Note is in the public interest, serves a public purpose of the Town and will promote the health, welfare and safety of the residents of the Town.

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

Resolution adopted July 8, 1991.

THE TOWN OF CEREDO, WEST VIRGINIA

By


Mayor

ATTEST:



Recorder

[SEAL]

0957H

LINE OF CREDIT AGREEMENT

For Temporary Construction Loan

THIS LINE OF CREDIT AGREEMENT, Made this 10th day of July, 1991 by and between THE TOWN OF CEREDO, a municipal corporation, (herein called the "Borrower") situate at Ceredo in Wayne County, West Virginia, and FIRST BANK OF CEREDO, a state banking corporation situate in Ceredo, Wayne County, West Virginia (herein called the "Bank").

WHEREAS, the Borrower desires to arrange interim financing through a Line of Credit (the "Line of Credit") to provide funds for the acquisition and construction of the Project (as defined in the 1991 Ordinance) to the extent Grant Receipts (as defined in the 1991 Ordinance) are not available therefor; and

WHEREAS, the Bank is interested in lending not to exceed \$500,000 (the "Stated Amount") to the Borrower in construction advances with interest at the rate of eight and one-half percent (8.5%) per annum. The Borrower may draw upon the Line of Credit from time to time as hereinafter set forth, but the aggregate amount outstanding at any time may not exceed the Stated Amount; and

WHEREAS, the Bank requires this Line of Credit Agreement to state the terms upon which such advances will be made and repaid.

NOW, THEREFORE, WITNESSETH: that in consideration of the premises and of the construction advances to be made by the Bank as hereinafter provided, the Borrower covenants and agrees and makes assignment as follows:

1. The Borrower hereby assigns, sells, sets over, transfers and delivers to the Bank all its right, title and interest in and to its Grant Receipts in the aggregate principal amount of not to exceed \$500,000 to and only to the extent of the aggregate principal amount of construction advances made by the Bank to the Borrower and interest from the dates of take-downs of construction advances to the date of payment thereof.

2. At or immediately following the Borrower's receipt of Grant Receipts, the Borrower will repay to the Bank the aggregate principal amount of any construction advances made hereunder and accrued interest thereon to the date of payment.

3. It is understood and agreed that before any construction advances will be made by the Bank to the Borrower, the Bank shall have received (a) a negotiable promissory note,

the Credit Line Note, duly executed on behalf of the Borrower payable to the order of the Bank consistent with the provisions hereof and otherwise in such form as may be required by the Bank; and (b) a certified copy of the ordinance or resolution of the governing body of the Borrower authorizing issuance of the above-mentioned Note and the other documentation provided in this credit agreement or required by the Bank whether herein provided or not.

4. Prior to the making of any construction advances hereunder, the Bank shall have received from the Borrower as to each such advance (a) a periodic construction estimate for the applicable period from the Consulting Engineer for the Borrower; and (b) a duly certified resolution of the governing body of the Borrower in form and substance satisfactory to the Bank approving each such periodic construction estimate and requesting the Bank to make a construction advance in the amount stated in such periodic construction estimate.

It is understood and agreed that the Bank shall be entitled to rely entirely upon such periodic construction estimates in the making of construction advances and shall be under no obligation to make any inspection of the construction work upon the Project; and it is further understood and agreed that such Consulting Engineer is at all times and for all purposes deemed to be the agent of the Borrower and not of the Bank.

5. It is understood and agreed that the Borrower may draw upon the Line of Credit from time to time, in the manner described herein, but that the aggregate amount outstanding at any time may not exceed the Stated Amount.

6. The Borrower hereby authorizes and empowers the Bank, at the Bank's option, to act as its agent, at the expense of the Borrower to take all steps necessary to effect compliance prior to delivery of the Grant Receipts, if the Borrower fails to do so, however, any such action by the Bank shall not constitute a waiver by the Bank of any of its rights hereunder.

7. Borrower hereby irrevocably covenants and agrees to proceed promptly with construction of the Project as described in the plans and specifications now on file with the Recorder of the Town, prepared by Regula Engineering, Inc., Consulting Engineers, Huntington, West Virginia.

There is attached hereto as a part hereof a certified copy of the ordinance of the governing body of the Borrower authorizing execution of this Line of Credit Agreement. The Borrower covenants to furnish promptly to the Bank certified copies of all agreements, supplements, amendments and waivers pertaining to this Line of Credit Agreement or the Credit Line Note.

IN WITNESS WHEREOF, the above-named parties have caused this Agreement to be signed on the date first above written in two original counterparts.

THE TOWN OF CEREDO

Mayor

FIRST BANK OF CEREDO

By _____
Authorized Officer

4763h

United States of America
State of West Virginia
The Town of Ceredo
Credit Line Note
Series 1991

R-1

\$500,000

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Town"), for value received, hereby promises to pay, but only from the special funds provided therefor, as hereinafter set forth, to FIRST BANK OF CEREDO, T.I.N. 550-63-0626, Ceredo, West Virginia 25507 (the "Owner"), or registered assigns, the sum of Five Hundred Thousand Dollars (\$500,000), or such lesser sum as shall be reflected by the Record of Advances and Payments attached hereto, on July 10, 1991, or on such earlier date as is hereinafter provided. Notwithstanding any provision of this Note to the contrary, this Note shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount hereof outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. Such interest shall be at the rate equal to eight and one-half percent (8.5%) per annum. Said interest shall be based upon a year of 360 days and shall be paid in arrears on the 1st day of each month, beginning with the 1st day of the month next succeeding the month in which the first advance, if any, upon the Line of Credit, as hereinafter defined, is made. The Registrar, as hereinafter defined, shall notify the Sanitary Board of the Town of the amount of interest so accrued. Interest is payable, only from special funds as hereinafter described, by check or draft mailed to the Owner at the address as it appears on the books of Registrar, as hereinafter defined, or by wire transfer or other mutually agreeable method. This Note matures twelve (12) months from the date hereof and shall be payable as to principal upon surrender at the principal office of First Bank of Ceredo, Ceredo, West Virginia, as registrar (the "Registrar"), in any coin or currency which on the date of payment of principal is

legal tender for the payment of public and private debts under the laws of the United States of America; provided, that, except in the case all the Note outstanding is being prepaid and either (i) the Town's notice of prepayment requires surrender or (ii) the Line of Credit, as hereinafter defined, has been exhausted, any payment of principal prior to the maturity of this Note as provided by the Ordinance, as hereinafter defined, shall be recorded on the Record of Advances and Payments attached hereto, and this Note shall be returned to the Owner. Prepayments of the principal of this Note may be made upon two (2) days' notice to the Owner. Any such prepayment shall also be reflected on the Record of Advances and Payments attached hereto, and interest shall cease to accrue thereon.

This Note is issued pursuant to the Interim Financing and Bond Ordinance passed by the Common Council of the Town on May 13, 1991, effective June 3, 1991, as supplemented by resolution on July 8, 1991 (collectively the "1991 Ordinance"), to evidence the Town's obligation to repay any draw upon a line of credit (the "Line of Credit") by the Town from First Bank of Ceredo (the "Bank"). This Note was issued to provide funds for the completion of the construction of certain extensions, betterments and improvements to the existing sewerage system of the Town to the extent Grant Receipts (as defined in the 1991 Ordinance) are not timely available therefor.

This Note is issued, in addition to the 1991 Ordinance, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended (the "Act"), and is subject to all the terms and provisions of said 1991 Ordinance and said Act. The principal of and interest on this Note are payable from the Grant Receipts (as defined in the 1991 Ordinance) and to the extent necessary from the net revenues of the sewerage system.

This Note does not constitute a corporate indebtedness of the Town within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Town be obligated to pay the same or the interest hereon except from the special fund provided from the Grant Receipts. Under the 1991 Ordinance, the Town has entered into certain covenants with the Owner, for the terms of which reference is made to said 1991 Ordinance. Remedies provided the Owner are exclusively as provided in the 1991 Ordinance, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the 1991 Ordinance, only upon the books of the Town at the office of the Registrar by the Owner in person or by his attorney duly authorized in writing, upon surrender hereof, together with a written instrument of transfer satisfactory to said Registrar duly executed by the Owner or his duly authorized attorney. Upon transfer hereof, there shall be issued another fully registered Note or fully registered Notes of the aggregate stated principal amount equal to the stated principal amount hereof but evidencing only the indebtedness reflected on the Record of Advances and Payments attached hereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount hereof as reflected on the Record of Advances and Payments attached hereto.

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 Note exist, have happened and have been performed in due time, form and manner as required by law, and that this Note, together with all other obligations of the Town, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that Grant Receipts have been pledged to and will be set aside into a special fund by the Town for, and will be sufficient for, the payment of the principal of and interest on this Note.

All provisions of the 1991 Ordinance and the statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

IN WITNESS WHEREOF, The Town of Ceredo, West Virginia, has caused this Note to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by the Recorder, all as of the 10th day of July, 1991.

Mayor

[SEAL]

Attest:

Recorder

CERTIFICATE OF AUTHENTICATION

The undersigned, as Registrar for this Note, hereby certifies that this Note is one of the Notes described in the above-mentioned 1991 Ordinance and was duly registered in the name set forth above on the date set forth below.

Date: July 10, 1991

FIRST BANK OF CEREDO, as
Registrar

By _____
Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS*

<u>Date</u>	<u>Amount Advanced</u>	<u>Principal Payment</u>	<u>Outstanding** Balance</u>	<u>Authorized Officer</u>
	\$	\$	\$	

* To be completed upon each draw upon or repayment on the Line of Credit

**Not to exceed \$500,000 at any one time.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the Credit Line Note, Series 1991, of The Town of Ceredo, West Virginia, and does hereby irrevocably constitute and appoint _____, attorney to transfer said Note on the books of said Town with full power of substitution in the premises.

DATED: _____

IN THE PRESENCE OF: _____

NOTE REGISTER

First Bank of Ceredo, as Note Registrar
for
The Town of Ceredo, West Virginia
\$500,000 Credit Line Note, Series 1991

Noteholder	Note Number	Registration Date	Authorized Officer
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First Bank of Ceredo P.O. Box 607 Ceredo WV 25507 550-63-0626	R-1	July 10, 1991	
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UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE TOWN OF CEREDO
SEWER REVENUE BONDS
SERIES 1991

No. R-1

\$618,069

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, 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 Six Hundred Eighteen Thousand Sixty Nine and no/100 Dollars (\$618,069), in installments on the first day of October 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 April, and the 1st day of October in each year beginning October 1, 1991. 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, Charleston, 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 July 10, 1991, 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 Interim Financing and Bond Ordinance duly enacted by the Common Council of the Town on the 13th day of May, 1991, effective June 3, 1991, and supplemented thereby on the 8th day of July, 1991 (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, on the Supplemental Bonds, as hereinafter defined, and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds and said Supplemental 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, there exist in the reserve account for said Supplemental Bonds sufficient moneys to pay the maximum amount of principal and interest, if any, which will become due on said Supplemental 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 or said Supplemental 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 provision of the Act is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

This Bond is issued contemporaneously with the Supplemental Sewer Revenue Bonds, Series 1991, of the Town (the "Supplemental Bonds"), issued in the aggregate amount of \$27,906, which Supplemental Bonds are junior and subordinate with respect to liens and sources of and security for payment of the Bonds of this issue.

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 CEREDO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto impressed and attested by its Recorder, all of the 10th day of July, 1991.

[Signature]
"SPECIMEN"
Mayor

[SEAL]

ATTEST:

[Signature]
"SPECIMEN"
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Sewer Revenue Bonds, Series 1991, 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: July 10, 1991

ONE VALLEY BANK, NATIONAL
ASSOCIATION, Charleston, West
Virginia, as Registrar

By

Robert Morgan
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

West Virginia Water Development Authority
Local Loan From Series 1990 A Pool
Debt Service Schedule - City of Ceredo

Date	Coupon	Principal	Interest	Debt Service 8.10% Bonds
Oct. 1, 1991			11,264.31	11,264.31
Oct. 1, 1992	8.10	2,737.00	50,063.59	52,800.59
Oct. 1, 1993	8.10	2,959.00	49,841.89	52,800.89
Oct. 1, 1994	8.10	3,198.00	49,602.21	52,800.21
Oct. 1, 1995	8.10	3,457.00	49,343.18	52,800.18
Oct. 1, 1996	8.10	3,737.00	49,063.16	52,800.16
Oct. 1, 1997	8.10	4,040.00	48,760.46	52,800.46
Oct. 1, 1998	8.10	4,387.00	48,433.22	52,800.22
Oct. 1, 1999	8.10	4,721.00	48,079.49	52,800.49
Oct. 1, 2000	8.10	5,103.00	47,697.09	52,800.09
Oct. 1, 2001	8.10	5,517.00	47,283.75	52,800.75
Oct. 1, 2002	8.10	5,964.00	46,836.87	52,800.87
Oct. 1, 2003	8.10	6,447.00	46,353.79	52,800.79
Oct. 1, 2004	8.10	6,969.00	45,827.59	52,800.58
Oct. 1, 2005	8.10	7,533.00	45,267.09	52,800.09
Oct. 1, 2006	8.10	8,141.00	44,658.92	52,800.92
Oct. 1, 2007	8.10	8,793.00	43,997.28	52,800.26
Oct. 1, 2008	8.10	9,517.00	43,284.21	52,801.21
Oct. 1, 2009	8.10	10,287.00	42,513.34	52,800.34
Oct. 1, 2010	8.10	11,120.00	41,680.09	52,800.09
Oct. 1, 2011	8.10	12,021.00	40,779.37	52,800.37
Oct. 1, 2012	8.10	12,995.00	39,805.87	52,800.67
Oct. 1, 2013	8.10	14,046.00	38,753.07	52,801.07
Oct. 1, 2014	8.10	15,186.00	37,615.19	52,801.19
Oct. 1, 2015	8.10	16,415.00	36,385.12	52,800.12
Oct. 1, 2016	8.10	17,745.00	35,055.50	52,800.50
Oct. 1, 2017	8.10	19,183.00	33,618.18	52,801.18
Oct. 1, 2018	8.10	20,736.00	32,084.34	52,800.34
Oct. 1, 2019	8.10	22,416.00	30,384.72	52,800.72
Oct. 1, 2020	8.10	24,232.00	28,569.02	52,801.02
Oct. 1, 2021	8.10	26,194.00	26,606.23	52,800.23
Oct. 1, 2022	8.10	28,316.00	24,484.52	52,800.52
Oct. 1, 2023	8.10	30,610.00	22,190.92	52,800.92
Oct. 1, 2024	8.10	33,089.00	19,711.51	52,800.51
Oct. 1, 2025	8.10	35,769.00	17,031.30	52,800.30
Oct. 1, 2026	8.10	38,667.00	14,134.01	52,801.01
Oct. 1, 2027	8.10	41,799.00	11,001.99	52,800.99
Oct. 1, 2028	8.10	45,184.00	7,616.27	52,800.27
Oct. 1, 2029	8.10	48,844.00	3,956.38	52,800.38
		<u>\$618,069.00</u>	<u>\$1,399,616.77</u>	<u>\$2,017,685.77</u>

[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:



UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE TOWN OF CEREDO
SUPPLEMENTAL SEWER REVENUE BOND,
SERIES 1991

No. SR-1

\$27,906

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, a municipal corporation of the State of West Virginia, in Wayne County of said State, (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 Twenty Seven Thousand Nine Hundred Six and no/100 Dollars (\$27,906), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference.

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"). This Bond bears no interest.

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and as otherwise provided by the Supplemental Loan Agreement, dated as of July 10, 1991, 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 fund the Supplemental Reserve Account, as hereinafter defined, and (3) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), an Interim Financing and Bond Ordinance duly enacted by the Town on the 13th day of May, 1991, effective June 3, 1991, and supplemented thereby on the 8th day of July, 1991, (collectively, the "Ordinance"), and is subject to all the terms and conditions thereof. 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.

587

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1991 of the Town (the "Primary Bonds") issued in the aggregate principal amount of \$618,069, which Primary Bonds rank prior with respect to liens and sources of and security for payment to the Bonds of this issue.

This Bond is payable only from and secured by a lien, subordinate only to the Primary Bonds on the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Supplemental Reserve Account created under the Ordinance (the "Supplemental Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall the Town be obligated to pay the same except from said special fund provided from the Net Revenues, the moneys in the Supplemental Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Primary Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds and the Primary Bonds, provided however, that so long as there exists in the Supplemental Reserve Account and in the reserve account for the Primary Bonds amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and on the Primary Bonds, respectively, in any year, and the reserve accounts for any such obligations prior to or on a parity with the Bonds or the Primary 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 the 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 One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), kept for that purpose at the office of the Registrar by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

All money received from the sale of this Bond after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of Project described in the Ordinance, 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; provided that such lien on moneys deposited in the Bond Construction Trust Fund created by the Ordinance shall be subordinate to that of the Primary Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the 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 have been pledged to and will be set aside into said special fund by the Town for the prompt payment of the principal this Bond.

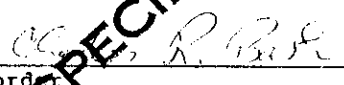
All provisions of the Ordinance, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, THE TOWN OF CEREDO has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated July 10, 1991.

[SEAL]


Mayor

ATTEST:


Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Supplemental Sewer Revenue Bonds, Series 1991 described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner set forth above.

Date: July 10, 1991

ONE VALLEY BANK, NATIONAL
ASSOCIATION, Charleston, West
Virginia, as Registrar

By

Specimen
Walter S. Morgan
Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

West Virginia Water Development Authority
 Local Loan From Series 1990 A Pool
 Debt Service Schedule - City of Ceredo

<u>Date</u>	<u>Interest Free Loan</u>
Oct. 1, 1991	
Oct. 1, 1992	734.37
Oct. 1, 1993	734.37
Oct. 1, 1994	734.37
Oct. 1, 1995	734.37
Oct. 1, 1996	734.37
Oct. 1, 1997	734.37
Oct. 1, 1998	734.37
Oct. 1, 1999	734.37
Oct. 1, 2000	734.37
Oct. 1, 2001	734.37
Oct. 1, 2002	734.37
Oct. 1, 2003	734.37
Oct. 1, 2004	734.37
Oct. 1, 2005	734.37
Oct. 1, 2006	734.37
Oct. 1, 2007	734.37
Oct. 1, 2008	734.37
Oct. 1, 2009	734.37
Oct. 1, 2010	734.37
Oct. 1, 2011	734.37
Oct. 1, 2012	734.37
Oct. 1, 2013	734.37
Oct. 1, 2014	734.37
Oct. 1, 2015	734.37
Oct. 1, 2016	734.37
Oct. 1, 2017	734.37
Oct. 1, 2018	734.37
Oct. 1, 2019	734.37
Oct. 1, 2020	734.37
Oct. 1, 2021	734.37
Oct. 1, 2022	734.37
Oct. 1, 2023	734.37
Oct. 1, 2024	734.36
Oct. 1, 2025	734.36
Oct. 1, 2026	734.36
Oct. 1, 2027	734.36
Oct. 1, 2028	734.36
Oct. 1, 2029	734.36
	<u>\$27,906.00</u>

[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 CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

CERTIFICATE OF RECORDER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

We, the undersigned Stanley E. Fink, the permanent, duly elected Recorder of The Town of Ceredo, West Virginia (the "Town"), and Charles R. Bash, acting Recorder of 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 Ceredo, West Virginia \$618,069 Sewer Revenue Bonds, Series 1991 and \$27,906 Supplemental Sewer Revenue Bonds, Series 1991 (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 Common Council of the Town (the "Council") on May 6, 1991, 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 February 4, 1963.
5. Rate Ordinance.
6. Affidavit of Publication regarding Notice of Rate Ordinance published in The Herald Dispatch.
7. Minutes of Council special meeting held November 19, 1990, regarding passage of Rate Ordinance.
8. Sanitary Board Petition dated May 6, 1991.
9. United States Environmental Protection Agency Assistance Agreement with Part-B Letter.

10. Interim Financing and Bond Ordinance (the "Ordinance") passed by Council on May 13, 1991.

11. Resolution adopted by Council on May 13, 1991, authorizing publication of an abstract and notice of the Ordinance.

12. Minutes of the May 13, 1991, meeting of council wherein the Interim Financing and 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 Wayne County News and The Herald Dispatch.

14. Resolution adopted by Council on June 3, 1991, putting Ordinance into effect.

15. Minutes of the June 3, 1991, meeting of council wherein the Resolution putting Ordinance into effect was adopted.

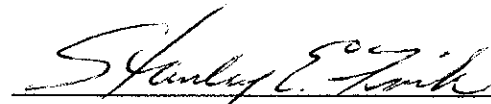
16. Supplemental Resolution adopted by Council on July 8, 1991, authorizing the sale of the Bonds.

17. Minutes of the July 8, 1991, meeting of Council wherein the Supplemental Resolution was adopted.

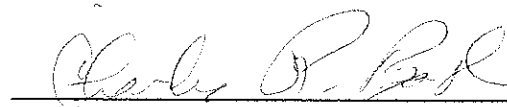
18. West Virginia Water Development Authority Loan Agreement and Supplemental Loan Agreement, both dated July 10, 1991.

19. Service Agreement by and between The Town of Ceredo and the City of Huntington, West Virginia dated as of the 9th day of July, 1991.

WITNESS our signatures and the official seal of The Town of Ceredo, West Virginia as of the 10th day of July, 1991.


Recorder
The Town of Ceredo

(SEAL)


Acting Recorder
The Town of Ceredo

0965H

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

CERTIFICATE AS TO NON-ARBITRAGE

I, Stanley E. Fink, acting Mayor of The Town of Ceredo, West Virginia (the "Town"), being one of the officials of the Town duly charged with the responsibility for the issuance of \$618,069 aggregate principal amount of Sewer Revenue Bonds, Series 1991, of the Town, dated July 10, 1991 (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 July 10, 1991, 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 Interim Financing and 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 and the Supplemental Sewer Revenue Bonds, Series 1991 (the "Supplemental Bonds"), which bear no interest, were sold on July 10, 1991, to the West Virginia

Water Development Authority (the "Authority") for an aggregate purchase price of \$618,069 and \$27,906, respectively, (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 April 30, 1992. Construction of the Project is expected to be completed by April 30, 1992.

9. The total cost of the Project is estimated at \$2,112,860. Sources and uses of funds for the Project are as follows:

SOURCES

Bonds	\$ 618,069
Supplemental Bonds	\$ 27,906
EPA Grant (the "EPA Grant")	\$1,137,170
Town Contribution	\$ 125,000
Other Contributions	\$ 204,715
Total Sources	<u>\$2,112,860</u>

USES

Acquisition and Construction of Project	\$2,049,309
Funded Reserve for Bonds	\$ 52,801.21
Funded Reserve for Supplemental Bonds	\$ 734.37
Capitalized Interest	\$ -0-
Costs of Issuance	\$ 10,015.42
Total Uses	<u>\$2,112,860.00</u>

The amount of Project costs not expected to be reimbursed by the grant from the United States Environmental Protection Agency (the "EPA Grant") or paid from Supplemental Bond proceeds is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds, the Supplemental Bonds, the EPA 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.

- (2) Supplemental Sinking Fund; and

(a) Within the Supplemental Sinking Fund, the Supplemental Reserve Account.

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

(1) Bond proceeds in the amount of \$52,801.21 will be deposited with the Municipal Bond Commission in the Reserve Account and Supplemental Bond proceeds in the amount of \$734.37 will be deposited in the Supplemental 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 6 months 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 July 11, 1990.

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 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 July 11, 1990.

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 1991 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.

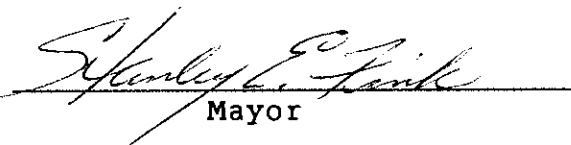
35. The Town covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds.

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 10th day of July, 1991.

THE TOWN OF CEREDO

By  Mayor

0966H

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

CERTIFICATE OF CONSULTING ENGINEER

I, Charles T. Regula, Registered Professional Engineer, West Virginia License No. 6135, of Regula Engineering, Inc., Consulting Engineers, Huntington, 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 Ceredo, West Virginia (the "Town") to be constructed in Wayne 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 Interim Financing and Bond Ordinance passed by the Common Council of the Town on May 13, 1991, effective June 3, 1991, and the Loan Agreement and Supplemental Loan Agreement by and between the Town and the West Virginia Water Development Authority (the "Authority") dated July 10, 1991.

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 \$1,137,170.

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

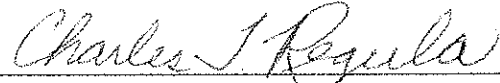
of construction and acquisition of the Project as set forth in the Application, and (vi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this 10th day of July, 1991.

REGULA ENGINEERING, INC.

[Seal]

By


Charles T. Regula

License No. 6135

0953H

DATE: July 3, 1991AMENDED SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: TOWN OF CEREDO
 TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

1. Construction	\$ 1,402,850	
2. Technical Services	\$ 429,627	
3. Legal and Fiscal	\$ 32,725	
4. Administrative	\$ 47,609	
5. Site and Other Lands	\$ 8,000	
6. Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$ 28,559	
7. Interim Financing Costs	\$ 16,000	
8. Contingency	\$ 83,939	
9. Total of Lines 1 through 8		\$ 2,049,309

B. Sources of Funds

10. Federal Grants: ¹	EPA	\$ 1,137,170	
(Specify Source)		\$ -0-	
11. State Grants: ¹		\$ -0-	
(Specify Source)		\$ -0-	
		\$ -0-	
		\$ -0-	
		\$ -0-	
12. Other Grants: ¹		\$ -0-	
(Specify Source)		\$ -0-	
13. Any Other Source ²	Kenova Share	\$ 204,715	
(Specify)	Local Cash	\$ 125,000	
14. Total of Lines 10 through 13			\$ 1,466,885
15. Net Proceeds Required from Bond Issue (Line 9 less Line 14)			\$ 582,424

C. Cost of Financing

16. Capitalized Interest (Construction period plus six months)	\$ -0-	
17. Funded Reserve Account ³	\$ 53,551	
18. Other Costs ⁴	\$ 10,000	
19. Total Cost of Financing (Lines 16 through 18)		\$ 63,551
20. Size of Bond Issue (Line 15 plus Line 19)		\$ 645,975

PARTNERS:

CLIFTON L. LOONEY, JR., CPA
MARK E. RICHARDSON, CPA
FLOYD E. HARLOW, JR., CPA
BARBARA H. GUNN, CPA
LISA L. O'DELL, CPA
SUSAN K. RICHARDSON, CPA



Somerville & Company

Certified Public Accountants

SOMERVILLE BUILDING
501 FIFTH AVENUE
P. O. BOX 2096
HUNTINGTON, WV 25721

(304) 525-0301
FAX (304) 522-1569

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069.00 Sewer Revenue Bonds, Series 1991

\$27,906.00 Supplemental Sewer Revenue Bonds, Series 1991

CERTIFICATE OF ACCOUNTANT AS TO COVERAGE

Somerville & Company, Certified Public Accountants, have analyzed the sewer service rates which were enacted by The Town of Ceredo, West Virginia (the "Town") on November 19, 1990 and the customer usage projection prepared by Regula Engineering, Inc., as Consulting Engineer for the Town. Based on the forecasted statements of income and cash flows and the related assumptions used therein as reported in our compilation report dated April 18, 1991, those rates are adequate to pay the forecasted operation and maintenance expenses, and to meet the forecasted debt service coverage requirements of the Sewer Revenue Bonds, Series 1991, and the Supplemental Sewer Revenue Bonds, Series 1991, and the Interim Financing and Bond Ordinance adopted by the Common Council on May 13, 1991, effective June 3, 1991, and a Supplemental Resolution subsequently adopted by the Common Council on July 8, 1991, and are sufficient to comply with the provisions of Subsection 4.1(b)(II) of the Loan Agreement and the Supplemental Loan Agreement entered into between the Town and the West Virginia Water Development Authority on July 8, 1991.

A compilation of forecasted statements is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecasted statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

WITNESS my signature as of this 10th day of July, 1991.

Somerville & Company
Certified Public Accountants

MEMBERS

• AMERICAN INSTITUTE
OF CERTIFIED PUBLIC
ACCOUNTANTS

• WEST VIRGINIA, OHIO AND
KENTUCKY SOCIETIES OF CERTIFIED
PUBLIC ACCOUNTANTS

• DIVISION FOR CPA FIRMS
SEC PRACTICE SECTION

• TAX DIVISION OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

• CPA ASSOCIATES WITH
OFFICES IN PRINCIPAL U.S.
AND INTERNATIONAL CITIES

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 10th day of July, 1991, by and between THE TOWN OF CEREDO, 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 \$618,069 Sewer Revenue Bonds, Series 1991 (the "Primary Bonds"), in the form of one bond numbered R-1 and its \$27,906 Supplemental Sewer Revenue Bonds, Series 1991 (the "Supplemental Bonds"), in the form of one bond numbered SR-1, both in fully registered form (collectively the "Bonds"), pursuant to an Interim Financing and Bond Ordinance duly passed May 13, 1991, effective June 3, 1991, and a Supplemental Resolution adopted July 8, 1991 (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 Primary 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 Ceredo
P. O. Box 691
Ceredo, WV 25507
Attention: Mayor

REGISTRAR:

One Valley Bank, National Association
P. O. Box 1793
Charleston, West Virginia 25326
Attention: Corporate Trust

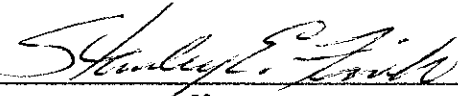
The Governmental Agency and the Registrar shall notify the other in writing of any change of address.

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 CEREDO 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 CEREDO

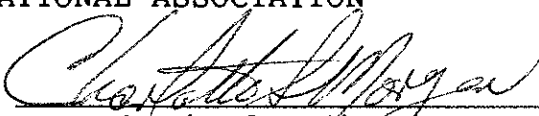
By



Mayor

ONE VALLEY BANK,
NATIONAL ASSOCIATION

By:



Authorized Officer

0963H

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

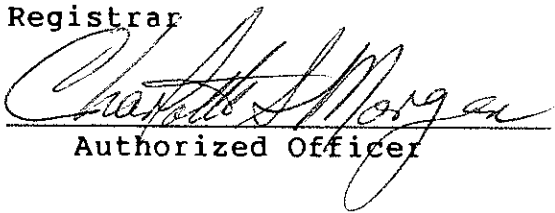
CERTIFICATE OF REGISTRATION OF BONDS

I, Charlotte S. Morgan, Corporate Trust Administrative Officer of One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar"), hereby certify that on the 10th day of July, 1991, the bonds of The Town of Ceredo, West Virginia in the principal amount of \$618,069 designated "The Town of Ceredo, West Virginia Sewer Revenue Bonds, Series 1991" (the "Sewer Revenue Bonds"), and numbered R-1, and the bonds in the principal amount of \$27,906 designated "The Town of Ceredo, West Virginia Supplemental Sewer Revenue Bonds, Series 1991" (the "Supplemental Sewer Revenue Bonds"), and numbered SR-1, both dated as of the date hereof, were registered as to principal and the Sewer Revenue Bonds, Series 1991 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 10th day of July, 1991.

ONE VALLEY BANK, NATIONAL,
ASSOCIATION,
as Registrar

By


Authorized Officer

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

RECEIPT FOR BONDS

The undersigned, Barbara B. Meadows, Secretary-Treasurer 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 10th day of July, 1991, in Dunbar, West Virginia, the Authority received the entire original issue of \$618,069 in aggregate principal amount of The Town of Ceredo, West Virginia Sewer Revenue Bonds, Series 1991 (the "Primary Bonds") and the entire original issue of \$27,906 in aggregate principal amount of The Town of Ceredo, West Virginia Supplemental Sewer Revenue Bonds, Series 1991 (the "Supplemental Bonds") (collectively, the "Bonds"), said Bonds being dated the 10th day of July, 1991; and issued in the form of one bond per issue, fully registered to the Authority, and numbered R-1 and SR-1, respectively.

2. At the time of receipt of such Bonds, they had been executed by Stanley E. Fink, as acting Mayor of The Town of Ceredo, by manual signature, and attested by Charles R. Bash as acting Recorder of The Town of Ceredo, by manual signature, and the official seal of said Town had been impressed upon each Bond.

IN WITNESS WHEREOF, Barbara B. Meadows duly signed and delivered this receipt on behalf of the West Virginia Water Development Authority on the 10th day of July, 1991.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By Barbara B Meadows
Secretary-Treasurer

THE TOWN OF CEREDO, WEST VIRGINIA

\$618,069 Sewer Revenue Bonds, Series 1991

\$27,906 Supplemental Sewer Revenue Bonds, Series 1991

RECEIPT FOR BOND PROCEEDS

The undersigned Stanley E. Fink, acting Mayor of The Town of Ceredo (the "Town"), hereby certifies as follows:

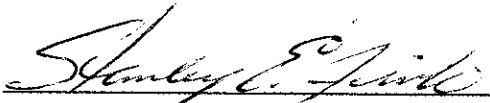
1. The Town has received and hereby acknowledges receipt from the West Virginia Water Development Authority (the "Authority"), as original purchaser of the Town's \$618,069 Sewer Revenue Bond, Series 1991, of the proceeds of said bond in the amount of \$618,069 (100% of par value) and with no interest having been accrued thereon.

2. The Town has received and hereby acknowledges receipt from the Authority, as original purchaser of the Town's \$27,906 Supplemental Sewer Revenue Bond, Series 1991, of the proceeds of said bond in the amount of \$27,906 (100% of par value) and said bond bearing no interest.

IN WITNESS WHEREOF, The Town of Ceredo has caused this receipt to be executed by the acting Mayor of The Town of Ceredo on this 10th day of July, 1991.

THE TOWN OF CEREDO

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: July 10, 1991

(See Reverse for Instructions)

ISSUE: The Town of Ceredo \$618,069 Sewer Revenue Bonds, Series 1991

ADDRESS: Post Office Box 691, Ceredo, WV 25507 COUNTY: Wayne

PURPOSE: New Money ☒ Refunding ☐ Refunds issue(s) dated: _____

ISSUE DATE: July 10, 1991 CLOSING DATE: July 10, 1991

ISSUE AMOUNT: \$ 618,069 RATE: 8.10

1st DEBT SERVICE DUE: 10-1-91 1st PRINCIPAL DUE: 10-1-92

1st DEBT SERVICE AMOUNT: \$11,264.31 PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee

Phone: (304) 340-1318

CLOSING BANK: First Bank of Ceredo

Contact Person: Floyd H. Stark

Phone: (304) 453-4141

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Shirley Blake

Position: City Clerk

Phone: (304) 453-1041

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: \$ _____

☒ Reserve Account: \$ 52,801.21

Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By Wire ☐
Check ☐
IGT ☐

To Escrow Trustee: \$ _____

To Issuer: \$ _____

To Cons. Invest. Fund: \$ _____

To Other: \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

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

NEW ISSUE REPORT FORM

Date of Report: July 10, 1991

(See Reverse for Instructions)

ISSUE: The Town of Ceredo \$27,906 Supplemental Sewer Revenue Bonds,
Series 1991

ADDRESS: Post Office Box 691; Ceredo, WV 25507

COUNTY: Wayne

PURPOSE New Money ☒ X

OF ISSUE: Refunding Refunds issue(s) dated:

ISSUE DATE: July 10, 1991

CLOSING DATE: July 10, 1991

ISSUE AMOUNT: \$27,906

RATE: -0-

1st DEBT SERVICE DUE: 10-1-92

1st PRINCIPAL DUE: 10-1-92

1st DEBT SERVICE AMOUNT: \$734.37

PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. Gee

Phone: 340-1318

CLOSING BANK: First Bank of Ceredo

Contact Person: Floyd H. Stark

Phone: 453-4141

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Shirley Blake

Position: City Clerk

Phone: 453-1041

UNDERWRITERS

BOND COUNSEL: _____

Contact Person: _____

Phone: _____

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

OTHER: _____

Contact Person: _____

Function: _____

Phone: _____

DEPOSITS TO MBC AT CLOSE:

By X Wire
Check

Accrued Interest: \$ _____

Capitalized Interest: \$ _____

☒ Reserve Account: \$ 734.37

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: _____

LOAN PROGRAM II
REQUISITION AS TO LOAN TO GOVERNMENTAL AGENCY

TO: ONE VALLEY BANK, NATIONAL ASSOCIATION, Trustee
(formerly Kanawha Valley Bank, National
Association)

- A. Name of Governmental Agency to which payment is
to be made: The Town of Ceredo, West Virginia
- B. Total Amount to be paid: \$618,069
- C. Certification by Water Development Authority.

I hereby certify that under the terms and provisions
of the Loan Agreement providing for the Loan to the
above-captioned Governmental Agency, dated as of July 10, 1991,
said Governmental Agency has sold its Local Bonds to the
Authority in the principal amount equal to the amount of the
Loan set forth in B above, that such Governmental Agency is
obligated to make Local Bonds Payments and to pay Fees and
Charges in accordance with Section 9.09 of the General
Resolution and that such Governmental Agency is not in default
under any of the terms or provisions of said Loan Agreement.

I further certify that the Local Bonds Payments, the
Supplemental Bonds Payments, and other moneys available
therefor, will be sufficient to pay interest on and Principal
Installments of the Bonds, the proceeds of which were used to
fund the Loan Obligation, as such interest and Principal
Installments come do.

The above certification complies with Subsections
6.06(2)(a)(ii) and (v) of the General Resolution.



Authorized Representative
West Virginia Water Development
Authority

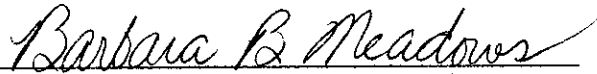
DATE: July 10, 1991
1003H

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto One Valley Bank, National Association, Charleston, West Virginia, The Town of Ceredo, West Virginia \$618,069 Sewer Revenue Bonds, Series 1991 numbered R-1, and standing in the name of the West Virginia Water Development Authority on the books of said Governmental Agency.

Dated: July 10, 1991

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY



Authorized Representative

DISBURSEMENT REQUEST FORM

First Bank of Ceredo
Box 607
Ceredo, WV 25507

Re: The Town of Ceredo, West Virginia
\$618,069 Sewer Revenue Bonds, Series 1991
and \$27,906 Supplemental Sewer Revenue
Bonds, Series 1991

Ladies and Gentlemen:

You are authorized, on behalf of The Town of Ceredo,
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. A copy of the Interim Financing and Bond
Ordinance of the Town of Ceredo authorizing the disbursements
is attached hereto.

Very truly yours,

THE TOWN OF CEREDO

By _____
Authorized Officer

REGULA ENGINEERING, INC.

By _____

Date: _____

SERVICE AGREEMENT

THIS AGREEMENT, made this 9th day of JULY, 1991, by and between the CITY OF HUNTINGTON, WEST VIRGINIA, a municipal corporation, by and through the SANITARY BOARD OF THE CITY OF HUNTINGTON hereinafter referred to as the "SANITARY BOARD", party of the first part, and the CITY OF CEREDO a public corporation, hereinafter referred to as "CEREDO", party of the second part.

WHEREAS, the SANITARY BOARD has constructed and placed in operation a sewage treatment plant and related facilities (collectively referred to as the "SANITARY BOARD facilities") and is presently receiving and treating sewage from the City of Huntington, as well as from areas outside of the City of Huntington; and

WHEREAS, CEREDO is preparing to construct improvements to it's sanitary sewer collection system which will connect to the SANITARY BOARD's facilities as hereafter described; and

WHEREAS, CEREDO anticipates executing an inter-governmental agreement with the City of Kenova such that CEREDO and Kenova will discharge all of the wastewater generated in their service areas into an eighteen inch (18") Force Main which will transport the wastewater to the SANITARY BOARD'S facilities; and

WHEREAS, CEREDO must be assured that the SANITARY BOARD will accept the wastewater generated within CEREDO and must ascertain and secure equitable rates for the treatment of said wastewater that will be paid to the SANITARY BOARD; and

WHEREAS, it is in the public interest and to the advantage of the parties to enter into a service agreement to provide for the SANITARY BOARD's receiving and treating sewage from CEREDO and to set forth the terms and conditions under which the foregoing may be accomplished; and

WHEREAS, the SANITARY BOARD and CEREDO desires to enter into a service agreement to accomplish the purposes set forth above, and to further set forth the terms, covenants and conditions of the Agreements and understanding between them as hereafter provided;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto, and their successors and assigns, intending to be legally bound, do hereby covenant and agree as follows:

ARTICLE I
SERVICE COVENANTS

SANITARY BOARD agrees to accept and render sewage treatment service to all public, domestic, commercial, industrial and other properties serviced by the CEREDO sewer system subject to the limitations specified herein, and provided that such sewage originates from within the authorized service territory of the City of CEREDO and otherwise conforms with the applicable rules and regulations promulgated or to be promulgated by the SANITARY BOARD concerning the type of sewage and industrial wastes that are acceptable for treatment at the SANITARY BOARD plant.

CEREDO covenants that any sewage collection facilities it constructs shall be in accordance with the provisions of this Agreement, and that the construction costs and all related project costs associated with the construction of CEREDO's sewage system, and the facilities required to connect CEREDO's sewage system to the SANITARY BOARD Facilities shall be the sole responsibility of CEREDO.

CEREDO agrees that the SANITARY BOARD shall be the sole and exclusive agency during the entire life of this Agreement to provide sewage treatment service to the CEREDO Sewage system.

CEREDO further covenants that it will not engage in the business of providing sewage treatment service to any other areas that may reasonably be served by the SANITARY BOARD Facilities, nor authorize any other agency, public or private, to do so in competition with or in substitution for the SANITARY BOARD. Notwithstanding the aforesaid covenant, CEREDO reserves the right to subsequently establish treatment facilities as may be necessary for the efficient and economic treatment of sewage emanating in portions of CEREDO, which, by standards of good and reasonable engineering practice, cannot be delivered to the SANITARY BOARD facilities for treatment.

ARTICLE II OPERATION AND MAINTENANCE RESPONSIBILITIES

The SANITARY BOARD shall be responsible for the proper treatment and disposal of CEREDO's sewage after it is discharged into the SANITARY BOARD facilities, provided that such sewage discharge is in compliance with provisions of this Agreement.

CEREDO shall enact and agree to keep in force and to enforce a proper resolution or ordinance, as provided by law, requiring all improved properties reasonably accessible to a public sanitary sewer of CEREDO, which ultimately connects to the SANITARY BOARD facilities, to connect the sewage facilities of each property to said sewer, providing appropriate fines and penalties for the violation thereof, and prohibiting the discharge of acceptable sewage emanating from each such property in any other manner whatsoever.

CEREDO further agrees to operate and maintain their sewage collection facilities in a state of good repair during the term of this Agreement; and to pay all costs and charges necessary for such maintenance and repair; and to promptly replace all defective facilities from time to time as may be

deemed necessary by CEREDO. It is understood that this provision applies to all repairs which may detrimentally affect the SANITARY BOARD facilities.

The SANITARY BOARD shall have the right to promulgate, issue, publish, and enforce rules and regulations governing its activities and carrying into effect the provisions of this Agreement. Such rules and regulations may include provisions prohibiting or regulating certain discharges into the SANITARY BOARD facilities which may be harmful to the SANITARY BOARD facilities. To the extent that the SANITARY BOARD may not be empowered to enforce its rules and regulations within the areas of CEREDO sewer system, CEREDO shall adopt and enforce such rules and regulations to the extent empowered by law.

ARTICLE III PROVISIONS FOR CONNECTION

The SANITARY BOARD agrees to accept for treatment, and CEREDO agrees to deliver for treatment, the sewage flow generated from CEREDO's sewage collection system, subject to the following limitations:

1. Connection Location

CEREDO's sewage collection system shall connect to the SANITARY BOARD's facilities at a single point located within the City of Huntington. The physical connection shall be made through a force main entering the existing metering building constructed by Northern Wayne County Public Service District and leased to the SANITARY BOARD pursuant to a service agreement between the SANITARY BOARD and Northern Wayne Public Service District dated February 10, 1989. It is understood that no other connection to the SANITARY BOARD's facilities is approved, nor is any right for future CEREDO connections to the SANITARY BOARD's facilities necessarily inferred, under the provisions of this Agreement.

2. Ownership of Facilities

All sewage collection facilities built within Wayne County, outside the City of Huntington by CEREDO shall remain under title and ownership of CEREDO. Subject to the provisions of Section 9 of this Article, CEREDO agrees that it will not allow the use of their facilities by any entity without prior written approval from the SANITARY BOARD.

The City of Huntington will grant CEREDO a perpetual easement for the construction, maintenance and operations of that section of CEREDO's sewage force main and the flow metering facilities, which are located on property owned by the City of Huntington, and used to deliver and meter the sewage from CEREDO's collection system to the SANITARY BOARD's facilities and are constructed pursuant to this agreement. Upon the satisfactory completion of construction and written acceptance by the SANITARY BOARD, CEREDO agrees to release or reconvey said easement to the City of Huntington and convey and transfer the title and ownership of these facilities to the SANITARY BOARD.

3. Maximum Flow Contribution

CEREDO's total flow contribution from the sanitary sewer systems to the SANITARY BOARD facilities shall not exceed a maximum average daily flow of 750,000 gallons per day.

For the purpose of this provision, the average daily flow shall be defined as the arithmetic average of all flows over any 24 hour consecutive period, as measured by the flow meter that must be installed under the terms of this Agreement.

CEREDO agrees not to knowingly issue any new sewer connection permits which will cause the total flow contribution from their sewer system to the SANITARY BOARD Facilities to exceed the maximum average daily flow of 750,000 gallons per day as defined above. In the event that the maximum flow from CEREDO should exceed this maximum flow contribution, CEREDO shall immediately seek governmental approval to impose a ban on all new service connections within its sewer service area, and initiate an engineering evaluation of their sewer system, at CEREDO's expense, to determine the cause of the excessive flow contribution and if the reason for exceeding the maximum average daily flow is determined to be excessive infiltration, CEREDO will develop a corrective action plan and schedule to reduce the flow contribution to within the specified maximum

limit. CEREDO's corrective action plan and schedule must be developed within a reasonable time period, as determined by the SANITARY BOARD's consulting engineer and agreed upon by CEREDO's consulting engineer, and must be submitted to the SANITARY BOARD for review and approval, which such approval shall not be unreasonably withheld. Upon receipt of the SANITARY BOARD's approval of the proposed corrective action plan and schedule, CEREDO shall implement the plan accordingly. In the event that the engineering evaluation should determine that the cause of the excessive flow contributions is not due to excessive infiltration, it may be necessary to renegotiate this provision of the agreement. Should CEREDO fail to develop or implement a required corrective action plan in a timely manner, the SANITARY BOARD shall have the right to impose sanctions, such as excessive flow surcharges, or other sanctions as approved by the West Virginia Public Service Commission.

4. Flow Metering Requirements

CEREDO agrees to install and maintain flow monitoring equipment of a type satisfactory to the SANITARY BOARD to continually measure and record the volume of sewage contributed to the SANITARY BOARD Facilities from the sewer system. CEREDO shall install a flow metering device, a flow indicator, a recorder and totalizer at CEREDO'S Pump Station to be constructed at Main Street and "A" street in CEREDO; and provide the necessary telemetering and recording equipment to transmit the flow signal to the SANITARY BOARD treatment plant. The cost of the flow monitoring and telemetering equipment shall be the responsibility of CEREDO.

In the event of a failure of any portion of the flow measuring or telemetering system, CEREDO shall make the necessary repairs as soon as possible. If there is any significant difference between the totalizer readings at CEREDO'S pump station and at the SANITARY BOARD plant, the totalizer at the point of discharge shall be used for determining service charges. If measured flow data is not available due to faulty registration, breakdown or other reasons, the CEREDO flow contribution shall be estimated based upon the arithmetic average of the last three (3) meter readings, adjusted to reflect any increase or decrease in flow resulting from new taps, shut-offs or rainfall. Adjustments shall be based upon the historic flow data.

CEREDO and the SANITARY BOARD shall have the accuracy of their respective flow meters tested by a qualified factory-authorized technician at least once a year. Each party shall notify the other at least 48 hours in advance of the time and date when tests are scheduled in the event the SANITARY BOARD or CEREDO should wish to have a representative present for the test. The SANITARY BOARD and CEREDO shall have the right to inspect and check the accuracy of the flow meters at their expense at any time they may desire during the year. Each party shall notify the other party at least 48 hours in advance of such testing, so that they may arrange to have a representative present if so desire. Each party will provide the other party complete access to the flow meter installations during normal business hours for the purpose of such inspection and testing.

5. Construction Standards

CEREDO agrees to design and construct the proposed sewage collection facilities, and any additions thereto, in accordance with accepted standard of good engineering practice and the applicable DNR and WV Department of Health design standards in effect at such time. The design and construction of the sewage collection system shall include provisions to minimize extraneous flow from infiltration and inflow sources. CEREDO, upon request, agrees to furnish the SANITARY BOARD with certified copies of the results of infiltration or exfiltration tests for the sewer constructed by CEREDO.

CEREDO agrees to provide the SANITARY BOARD a complete set of as-constructed documents for the sewer system that will be constructed pursuant to this Agreement. The plans submitted shall show the exact location of the proposed connection to the SANITARY BOARD's facilities as well as the required flow metering and telemetering equipment. The SANITARY BOARD shall only have the right to review and approve such plans with respect to the physical connection into the SANITARY BOARD facilities and the required flow metering and telemetering equipment. CEREDO agrees to coordinate the construction of these items with the SANITARY BOARD.

6. Protection During Construction

CEREDO agrees to take all reasonable measures to protect the SANITARY BOARD's facilities from damage during construction. The physical connection to the SANITARY BOARD's Facilities is proposed to be through a flow meter to a blind flange/valve assembly in the metering building constructed by Northern Wayne County Public

Service District and leased to the SANITARY BOARD. This arrangement would permit The SANITARY BOARD'S and NORTHERN WAYNE'S main to remain fully operational at all times, and it will prevent any sand, silt, debris, or water from entering the SANITARY BOARD system during construction. Prior to opening the gate valve and discharging any sewage into the SANITARY BOARD system, CEREDO shall ensure that all sewers, force mains and pump stations have been thoroughly cleaned of all silt, sand and debris.

CEREDO shall notify the SANITARY BOARD at least five (5) days in advance of the date when the actual physical connection into the metering building is to be made. CEREDO shall notify the SANITARY BOARD at least seven (7) days in advance of the date that CEREDO intends to open the gate valve and begin discharging into the SANITARY BOARD's facilities.

7. Prohibited Wastes

CEREDO agrees not to permit or allow the discharge of any wastes or waters into the CEREDO sewer system which will interfere with the operation and maintenance of the SANITARY BOARD Wastewater Treatment Plant.

CEREDO shall accomplish this purpose by adopting appropriate resolutions or ordinances governing the use of their sewage facilities, which are at least as stringent as comparable ordinances and resolutions adopted by the SANITARY BOARD and the City of Huntington, and to faithfully prosecute any offender under the same to ensure that such discharges do not enter the CEREDO sewer system or the SANITARY BOARD facilities.

8. Septic Sewage

The design of the CEREDO sewage collection facilities should contain provisions to prevent the sewage collected from becoming septic within CEREDO'S sewer system or at the point of discharge into the SANITARY BOARD facilities. If septic sewage conditions should occur following completion of construction, C E R E D O agrees to develop and submit to the SANITARY BOARD an approvable corrective action plan and schedule to eliminate this condition within thirty (30) days of receipt of written notification of the problem condition from the SANITARY BOARD.

If CEREDO fails to submit the required corrective action plan and schedule within the thirty (30) day period or fails to take the additional measures to correct this problem as outlined in the plan and schedule, the SANITARY BOARD shall have the right to take the necessary measures to correct the problem on their own, and assess the full costs thereof to CEREDO. CEREDO shall also be liable for the costs to repair any damages or replace any facility or equipment damaged as a result of CEREDO's discharge of septic sewage into the SANITARY BOARD facilities. Any increase in the SANITARY BOARD's operating costs caused by the discharge of septic sewage from CEREDO or for the operation of preventative measures shall also be the responsibility of CEREDO. Such costs shall be billed to CEREDO in addition to their metered service charges.

9. Sewer Connections and Extensions

Upon completion of the initial construction project for the sewer system, CEREDO shall forward a quarterly report which clearly shows the total number of sewer services connected to the system, the total number of new sewer service connections for the reporting period and a copy of all new sewer service applications and permits to the SANITARY BOARD.

CEREDO shall have the right to allow new taps into the sewers built under the initial construction project without prior approval from the SANITARY BOARD provided that CEREDO does not exceed maximum flow contribution established by this Agreement pursuant to the provisions of Article III, Section 3.

CEREDO shall also have the right and privilege to extend its sewer system into new service areas within its jurisdiction, provided CEREDO complies with all of the provisions of this Agreement. Copies of applications for sewer extensions to the CEREDO sewer system shall be submitted to the SANITARY BOARD during the planning review stage for approval. The SANITARY BOARD shall only have the right to reject sewer extensions that (a) would cause CEREDO to exceed its maximum allowable flow contribution to the SANITARY BOARD Facilities or otherwise violate the provisions of this Agreement; or (b) would cause CEREDO to violate any connection ban imposed by any regulatory agency on all new service connections to the SANITARY BOARD treatment plant.

ARTICLE IV
INDUSTRIAL AND COMMERCIAL WASTE CONTRIBUTIONS

CEREDO agrees to enact and enforce necessary regulations required to insure that CEREDO will not allow any user who may discharge industrial or commercial waste to connect into the CEREDO sewer system without a prior written permit issued by the SANITARY BOARD and to insure that the provisions of this Agreement are fulfilled.

CEREDO also agrees to enter into an inter-jurisdictional Industrial Pretreatment Agreement (as contained in Exhibit 1 attached hereto) and require all industrial or commercial users who are or will be discharging industrial or commercial wastes into the CEREDO sewer system to enter into an Industrial Sewer Use Service Agreement (as contained in Exhibit 2 attached hereto) with the SANITARY BOARD.

Applications for any such permit shall be accompanied by such information, relating to the nature of character of the industrial waste proposed to be discharged or otherwise, including without limitation a detailed engineering report in respect thereof or an Industrial Wastes Questionnaire prepared by a registered engineer or engineering firm, as the SANITARY BOARD may impose. No permit for the discharge of industrial wastes issued under this section shall be deemed to give any right to the applicant to continue such use and any such permit may be revoked by the SANITARY BOARD at any time.

Whenever necessary, in the opinion of the SANITARY BOARD, the industrial or commercial user shall provide, at his expense, such facilities for preliminary treatment and handling of industrial or commercial wastes as may be necessary.

Any industrial or commercial user who shall discharge industrial or commercial wastes into the CEREDO sewer system, when required by the SANITARY BOARD, shall construct and thereafter shall properly maintain, at his own expense, a suitable control manhole to facilitate observation, measurement and sampling by the SANITARY BOARD.

Any such control manhole, when required by the SANITARY BOARD, shall be constructed at an accessible, safe, suitable and satisfactory location in accordance with plans approved by the SANITARY BOARD prior to commencement of construction.

Grease, oil and sand interceptors shall be provided by the applicant when they are required by the SANITARY BOARD for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand or other harmful ingredients. All such interceptors shall be of a type and capacity approved by the SANITARY BOARD and shall be located as to be readily and easily accessible for cleaning and inspection. Where any such required facilities or interceptors are constructed, they shall be maintained continuously in satisfactory and effective operation by the applicant at his expense.

Industrial or commercial wastes being discharged into the sewer system shall be subject to periodic sampling, inspection and determination of character and concentration. Also, the SANITARY BOARD may at its discretion sample and inspect any industrial or commercial facilities as frequently as may be deemed necessary to determine compliance with the SANITARY BOARD's industrial pretreatment program. Sewage sampling facilities shall be exercised in the collection and preservation thereof in as nearly the natural state as possible, including refrigeration of all samples which are intended for analysis by biochemical methods.

Laboratory methods used in the analysis of samples of industrial wastes shall be those set forth in the latest edition of "Standard Methods for the Examination of Water and

Sewage" as published by the American Public Health Association; provided, however, that alternate methods for the analysis of industrial wastes may be used.

Any industrial or commercial user who is discharging industrial or commercial wastes into the CEREDO sewer system and who contemplates a change in the method of operation which will alter the type of industrial or commercial wastes at the time being discharged into the sewer system shall notify CEREDO and the SANITARY BOARD, in writing, at least ten (10) days prior to consummation of such change and enter into a new Industrial Sewer Use Service Agreement with the SANITARY BOARD.

No industrial or commercial user shall cause the discharge of water, sewage or industrial waste which, in concentration of any given constituent or in quantity of flow, exceeds for any period of longer duration than fifteen (15) minutes, more than five (5) times its average hourly concentration of flow.

ARTICLE V SERVICE CHARGES AND BILLING

In exchange for the rights, privileges and benefits of utilizing the SANITARY BOARD facilities for treatment of the CEREDO sewage, CEREDO covenants and agrees to pay the SANITARY BOARD service charges computed in the following manner:

1. Annual Operation and Maintenance Charges

CEREDO agrees to pay the SANITARY BOARD their proportionate share of the actual net annual operation and maintenance costs for the SANITARY BOARD facilities which are utilized to treat the CEREDO sewage. CEREDO's proportionate share shall be determined by multiplying the ratio of the total volume of sewage contributed to the SANITARY BOARD Facilities, as measured by the flow meter to be installed at CEREDO'S Pump Station at Main Street and "A" Street, to the total volume of sewage treated at the SANITARY BOARD treatment plant, as

measured by the plant's raw sewage flow meter, by the actual net annual operation and maintenance costs.

For the purpose of determining CEREDO's share, the net annual operation and maintenance costs shall include all reasonable expenses and repair costs required to keep the treatment plant utilized by CEREDO operating continuously in a safe and efficient manner and in compliance with applicable State and Federal Regulations. Such operating and maintenance costs are defined to include the cost of all labor, power, chemicals, equipment, materials, vehicle expense, repairs, replacements, improvements and administrative expenses used in the operations and maintenance of the treatment plant. The following costs shall be specifically excluded from the operation and maintenance costs applicable to CEREDO:

- A. Costs of preparing, mailing and receiving the SANITARY BOARD sewer rental bills, or of collecting delinquent costs from the SANITARY BOARD customers,
- B. Costs of operating, maintaining and repairing the SANITARY BOARD's sewer collection system,
- C. Costs of operating, maintaining and repairing any SANITARY BOARD pump stations,
- D. Costs of operating an industrial waste pretreatment program, unless industrial users are served by CEREDO,
- E. Any major repair or maintenance item to the SANITARY BOARD facilities used by CEREDO with a cost of more than \$10,000.00, which shall be considered a Capital Addition and the costs shared as per Article VI of this Agreement.
- F. Any fines, penalties and related damages assessed for anything arising prior to the execution of this agreement.

CEREDO shall pay their proportionate share of such net annual operation and maintenance costs to the SANITARY BOARD in twelve monthly installments. The SANITARY BOARD will keep a separate record of the costs of operating the treatment plant and will establish an annual cost for their operating year. That annual operating cost will be used to establish the next twelve (12) monthly billing to CEREDO by multiplying the annual operating costs by the proportioning factor and dividing by twelve (12). During the first year of operation,

operating cost estimates provided by the SANITARY BOARD's consulting engineer will be used to establish proportionate shares.

The SANITARY BOARD shall submit an estimated monthly billing statement to CEREDO which clearly shows the total flow treated at the SANITARY BOARD plant, the total flow contributed to the SANITARY BOARD's facilities by CEREDO, the ratio of the CEREDO flow to the total flow, and an estimate of the net operation and maintenance costs incurred for each month. The billing statement shall be certified by the SANITARY BOARD's consulting engineer, and it shall be delivered to CEREDO not less than twenty (20) days prior to the date on which the payment shall be due for their review. The first billing for each calendar year shall include an adjusted payment for the whole of the previous calendar year based upon an audit of the actual operation and maintenance costs for that calendar year as prepared by a mutually agreeable certified public accountant. In the event that the parties cannot come to an agreement regarding the selection of a certified public accountant, one shall be appointed by the presiding judge of the U. S. District Court at Huntington and all costs of such accounting services shall be shared. In the event that the parties cannot agree upon the estimated expenses for an upcoming calendar year, CEREDO shall continue to make payments based upon the audit for the expense of the previous year pending disposition of the dispute.

2. Debt Service Charges

CEREDO agrees that it will pay the SANITARY BOARD a proportionate share of the debt service for the specific projects intended to improve the SANITARY BOARD's wastewater treatment facilities under the present U.S. EPA mandated upgrade.

CEREDO's proportionate share for the debt service charges will be determined in the same manner as the annual operating and maintenance charges and these charges will be made by CEREDO only so long as the SANITARY BOARD is making payments of this debt pertaining to these specific projects.

It is understood and agreed between the parties hereto that the aforesaid payments of operating costs and debt service costs shall be billed and paid as one (1) monthly billing.

3. Industrial Waste Surcharges and Fees

CEREDO agrees to adopt and enforce regulations establishing provisions to assess industrial waste surcharges and fees to any industrial user that may obtain the SANITARY BOARD approval to discharge such wastes into the CEREDO sewer system in accordance with requirements of this Agreement. Such surcharge and fee rates shall be comparable to the prevailing rates contained in the SANITARY BOARD's rules and regulations. Any applicable surcharges and fees shall be billed to industrial users by CEREDO on behalf of the SANITARY BOARD and the amounts collected shall in turn be paid to the SANITARY BOARD by CEREDO.

4. Special Service Charges

In the event that the SANITARY BOARD and CEREDO mutually agree to have any Special Services performed by the SANITARY BOARD, CEREDO shall be charged for such Special Service as determined by prior negotiation of the parties. Special Services shall be defined as any service provided to CEREDO by the SANITARY BOARD beyond the basic treatment service provided for by this Agreement. Such special Services may include but are not necessarily limited to:

- A. Initiation and administration of a permit system for CEREDO customers,
- B. Inspection of service connections into the CEREDO sewer system,
- C. Maintenance of the CEREDO sewer system, and
- D. Operation and maintenance of the CEREDO sewage pumping stations.

The charges to be paid to the SANITARY BOARD under Article V of this Agreement shall become effective as soon as CEREDO begins to deliver sewage into the SANITARY BOARD Facilities. If necessary, the initial monthly payment under this Agreement shall be made on a pro-rata basis as agreed upon by the consulting engineers of the respective parties.

All monthly payments to the SANITARY BOARD shall be paid within thirty (30) calendar days after the close of the billing period or the date of the bill, whichever is longer.

If any monthly installment is not paid within the specified thirty (30) day period, the SANITARY BOARD shall have the right to assess a ten (10) percent penalty that will be added thereto. If the installment and the penalty is not paid within sixty (60) days after the date of the bill, the outstanding aggregate amount thereof shall bear interest from the penalty date at a rate of one percent per month or any fraction thereof.

CEREDO covenants to enact and keep in effect and in force a schedule of sewer rental rates or other user charges which will generate amounts of revenue adequate and sufficient to enable CEREDO to make all payments to the SANITARY BOARD as required by this Agreement. CEREDO shall reserve all rights relative to the basis and method by which it shall establish rates and charges to its own customers in order to generate the funds necessary to meet its obligations and payments under this Agreement. CEREDO shall not provide free service for any users of the CEREDO sewer system.

The SANITARY BOARD agrees to keep and maintain accurate records of all operation, maintenance and administrative expenses for the SANITARY BOARD Facilities utilized for the treatment of the CEREDO sewage. The SANITARY BOARD shall supply CEREDO with copies of any annual audit reports required as a condition of the SANITARY BOARD's debt service agreements, and copies of the SANITARY BOARD's annual budget information so that CEREDO may prepare their own budget.

ARTICLE VI CAPITAL ADDITION

With respect to the SANITARY BOARD Facilities, the SANITARY BOARD shall have the right to exercise exclusive discretion as to whether Capital Additions shall or shall not be constructed or acquired; and CEREDO shall have the right to exercise exclusive discretion as to whether Capital

Additions shall or shall not be constructed or acquired for the CEREDO sewer system, subject to the limitations of this Agreement.

The responsibility for carrying out the construction or acquisition of said authorized Capital Additions shall rest respectively with the SANITARY BOARD and CEREDO. In each appropriate case, the SANITARY BOARD and CEREDO shall have exclusive discretion as to all matters concerning financing for the purpose of providing funds to pay for the cost of constructing or acquiring said authorized Capital Additions which are their respective responsibilities.

CEREDO agrees that where any betterments, improvements or other Capital Additions, other than routine maintenance and repairs, are required for the SANITARY BOARD Facilities utilized for the treatment of the CEREDO sewage, or are ordered by appropriate Federal or State agencies having jurisdiction, CEREDO shall be liable for its proportionate share of the capital cost of the said betterments, improvements or other Capital Additions. In determining CEREDO's proportionate share of any such capital cost, any State or Federal grants received by the SANITARY BOARD to assist in completing the Capital Additions shall be deducted from the total capital cost such that only the net capital cost incurred is utilized to determine CEREDO's share.

Determination of CEREDO's proportionate share of the capital cost of any such Capital Addition shall be based upon the Design Parameters which have been used in the design and said Capital Addition, the actual construction costs as determined by the SANITARY BOARD's consulting engineer, and CEREDO's proportionate contribution to the Design Parameters of said Capital Addition. The term Design Parameter shall mean the basic design criteria or limits that are commonly used in the engineering profession to determine the size or type of facilities required and therefore the costs of the required facilities. Examples of typical Design Parameters

include "total flow" or hydraulic loading, organic loading, solids loading, etc.

The costs of any Capital Additions will thus be allocated or shared by each party in direct proportion to each party's relative contribution to the Design Parameters that have in effect caused said costs. For example, should the SANITARY BOARD treatment plant have to be upgraded to provide ammonia nitrogen removal in the future, CEREDO's share of the required capital cost would be determined by their proportionate contribution to the plant's design flow, namely the ratio of the CEREDO's maximum average daily flow per day to the SANITARY BOARD plant's design average daily flow per day.

Any proportioning of capital costs found necessary under the provisions of this Article of the Agreement shall be determined and fixed by the consulting engineers of the SANITARY BOARD and CEREDO, and shall be binding upon the parties of this Agreement. In the event that the consulting engineers of the parties cannot come to an agreement regarding proportioning of costs, a third engineer shall be mutually selected as an arbitrator, whose decision shall be binding upon the parties to this Agreement.

ARTICLE VII GENERAL PROVISIONS

Each of the parties to this Service Agreement hereby agree to the following general provisions:

1. Indemnification

CEREDO and the SANITARY BOARD mutually agree to indemnify and save harmless each other against all loss, losses, costs or damages on account of any injury to persons or property incurred in the performance of this Agreement due to the negligence of either party, its servants, agents or employees, or resulting from any violation of this Agreement which causes the SANITARY BOARD sewage treatment plant or interceptor to function improperly.

2. Assignment

This Agreement and all provisions thereof shall be binding upon the parties hereto and their successors, and it shall not insure to the benefit of any other person or entity not a party hereto, except as expressly provided herein. This Agreement shall not be assigned by either party without the written consent of the other party.

3. Severability

The provisions of this Agreement shall be severable and the invalidity or unenforceability of any one or more of the provisions contained herein shall not render invalid or unenforceable any of the other provisions and they shall remain in full force and effect.

4. Waiver

The waiver of any breach of this Agreement by any part hereto shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or another provision of this Agreement.

5. Captions

Captions appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope of intent of such sections of this Agreement nor in any way affect this Agreement.

6. Resolution of Controversies, Claims and Disputes

The parties hereto agree that in the event any controversy arises relative to the provisions of this Agreement, or any other condition relating hereto, then in that event the controversy shall be resolved by and Regulations governing Sewer Utilities published by the Public Service Commission of West Virginia and/or by the Public Service Commission of West Virginia.

7. Term of the Agreement

This Agreement shall become effective upon its execution by the parties hereto and the term shall continue and remain in force for a term of forty (40) years from the date hereof, and thereafter from year to year, unless and until a new agreement is negotiated between the parties, or until this Agreement is terminated by either CEREDO or the SANITARY BOARD upon a minimum twenty-four (24) month prior written notice to the other party. The SANITARY BOARD shall also have the right to terminate

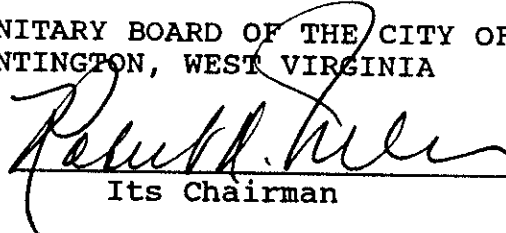
this Agreement upon the failure or refusal of CEREDO to make payment when due of any amounts payable to the SANITARY BOARD under the terms hereof, or to comply with any other provisions of this Agreement to be performed or observed by CEREDO.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their appropriate officials in accordance with proper corporate resolutions, as reference to the minutes of the meetings of said parties shall disclose, as of the day and year first above written.

SANITARY BOARD OF THE CITY OF
HUNTINGTON, WEST VIRGINIA

By

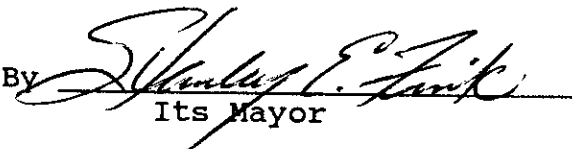

Its Chairman

ATTEST:



THE CITY OF CEREDO

By


Its Mayor

ATTEST:

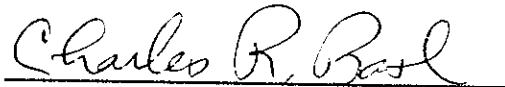


EXHIBIT 1
INTERJURISDICTIONAL INDUSTRIAL
PRETREATMENT AGREEMENT

This Agreement made as of this the _____ day of _____, 1991, by and between the CITY OF HUNTINGTON, WEST VIRGINIA, a municipal corporation, by and through the SANITARY BOARD OF THE CITY OF HUNTINGTON, hereinafter referred to as the "Board", party of the first part, and the CITY OF CEREDO, a public corporation, hereinafter referred to as "CEREDO", party of the second part.

WHEREAS, the BOARD owns and operates a wastewater treatment system which is permitted by the U. S. Environmental Protection Agency (EPA) and the State of West Virginia, Department of Natural Resources (DNR), and

WHEREAS, the BOARD has developed and implemented an industrial pretreatment program applicable to all industrial users of its wastewater treatment system as a requirement of its discharge permit, and

WHEREAS, CEREDO has entered into a Service Agreement with the BOARD, dated _____, 19__, whereby CEREDO is permitted to discharge its sewage to the BOARD's wastewater treatment system for treatment, and

WHEREAS, CEREDO desires to continue to utilize the BOARD's wastewater treatment system and recognizes its industrial waste control obligations under the Federal General Pretreatment Regulations (40 CFR, Part 403).

NOW, THEREFORE, WITNESSETH THIS AGREEMENT, that for an in consideration of the premises, and the mutual covenants and agreements herein set forth, the parties hereby do mutually covenant and agree as follows:

1. The BOARD and CEREDO hereby agree to cooperate in the effort to attain full compliance with the requirements of the Federal Pretreatment Regulations and to establish an Industrial Pretreatment Program designed to facilitate the safe and efficient handling of industrial waste discharges within CEREDO's service area.
2. The BOARD and CEREDO hereby agree that the BOARD should have the primary administrative responsibility for the Pretreatment Program.
3. CEREDO shall certify and document that there are no industrial users, as defined by the BOARD, connected to the CEREDO's sewer system.
4. CEREDO shall designate and appropriate official or employee to regularly review all applications for connection permits to CEREDO's sewer system to determine whether an industrial user will be locating within the CEREDO's service area. If prospective industrial user is identified, CEREDO shall report this fact to the BOARD and the provisions of Paragraphs 5 and 7 of this Agreement shall be invoked. CEREDO shall provide the BOARD access to the connection permit records for independent verification of CEREDO's review procedures and records.
5. CEREDO shall not authorize any industrial user located within its jurisdictional boundaries to connect to or to discharge to any sewer line, pipe or other conveyance which will convey the wastewater to the BOARD's wastewater treatment system without written approval from the BOARD.
6. The BOARD shall not issue approval for an industrial user to connect to CEREDO's sewer system until the prospective industrial user has executed an Industrial User Service Agreement with the BOARD. Said Service Agreement shall require the industrial user to abide by all of the BOARD's rules and regulations relative to the Pretreatment Program and the provisions established in the Sewer Use Regulations of the Huntington City Code relative to industrial sewer use.

7. After the BOARD has given its approval for any industrial user within CEREDO to connect, CEREDO shall not authorize the industrial user to commence discharging until appropriate provisions have been made between CEREDO and the BOARD to oversee the industrial user's compliance with all applicable Federal, state, and local pretreatment requirements. This shall be accomplished by renegotiating this Agreement to establish and designate specific administrative and enforcement responsibilities between CEREDO and the BOARD for all of the pretreatment program legal and procedural functions required under the Federal Pretreatment Regulations (40 CFR, Part 403). The BOARD may develop a schedule of specific activities that must be undertaken by CEREDO to develop the required legal authority for their role in the Pretreatment Program.
8. CEREDO and the BOARD may enter into a pretreatment agreement providing the BOARD with the legal authority and responsibility for the performance of the technical and administrative activities necessary for implementation of the Pretreatment Program within CEREDO. These activities may include among others: 1) updating the industrial waste survey data; 2) providing technical services such as sampling, analyses, and engineering advice; 3) permitting; 4) compliance monitoring; and 5) enforcement support. Where pretreatment delegation occurs, the BOARD shall assess CEREDO the reasonable costs incurred by the BOARD in conjunction with the administration of the Pretreatment Program on behalf of CEREDO. The BOARD shall provide CEREDO with a detailed accounting of the pretreatment costs assessed to CEREDO.
9. CEREDO shall permit any authorized officer, employee, or designated representative of the BOARD to enter and inspect, sample, and monitor any part of CEREDO sewer system to determine compliance with this Agreement. The right of entry and inspection, sampling, and monitoring shall extend to public streets, easements, and property within which the system is located or premises where pertinent compliance records are located.
10. If the BOARD determines that CEREDO has failed or has refused to fulfill its pretreatment obligations under this Agreement, the BOARD may develop and issue a remedial plan containing a description of the nature of the pretreatment deficiencies, an enumeration of steps

that must be taken by CEREDO, and a time schedule for attaining compliance with all pretreatment requirements. Such plans shall be specifically enforceable in a court of competent jurisdiction. Where CEREDO fails to satisfy the terms of the remedial plan, the BOARD may, upon thirty (30) days written notifications, terminate sewer service to CEREDO.

11. This Agreement will remain in effect so long as the Service Agreement remains in effect. Termination of the Service Agreement shall also result in termination of this Agreement.

IN WITNESS WHEREOF, each of the said parties hereto have caused this Agreement to be executed by its proper officer, thereunto duly authorized, as of the day and year first above written.

WITNESS:

Jackie Jackson

WITNESS:

Charles R. Bayl

THE SANITARY BOARD OF THE CITY
OF HUNTINGTON, WEST VIRGINIA

By

Robert M. Allen
Title (Chairman)

CITY OF CEREDO

By

Charles E. Fink
Title (Chairman)

EXHIBIT 2
INDUSTRIAL SEWER USE
SERVICE AGREEMENT

This Service Agreement made as of this the _____ day of _____, 19____, by and between the CITY OF HUNTINGTON, WEST VIRGINIA, municipal corporation, by and through the SANITARY BOARD OF THE CITY OF HUNTINGTON, hereinafter referred to as the "BOARD, party of the first part, and the _____, party of the second part, hereinafter referred to as the "INDUSTRIAL USER".

WHEREAS, the BOARD owns and operates a wastewater treatment system which is permitted by the U.S. Environmental Protection Agency (EPA) and the State of West Virginia, Department of Natural Resource (DNR); and

WHEREAS, the BOARD must develop and implement an industrial pretreatment program applicable to all industrial users of its wastewater treatment system as a requirement of its discharge permit; and

WHEREAS, the BOARD is willing to accept and treat certain industrial wastewater discharges under the provision of its Industrial Pretreatment Program and the Sewer Use Regulations of the Huntington City Code; and

WHEREAS, the INDUSTRIAL USER desires to utilize the BOARD's wastewater treatment system by connecting into the wastewater collection system owned and operated by the CITY OF CEREDO which in turn connects to the BOARD's wastewater treatment system; and

WHEREAS, the CITY OF CEREDO has delegated the administration and enforcement authority relative to the industrial pretreatment requirements to the BOARD under the conditions of their Interjurisdictional Pretreatment Agreement dated _____, 19____; and

WHEREAS, the INDUSTRIAL USER recognizes its industrial wastewater control obligations under the Federal General Pretreatment Regulations (40 CFR, Part 403) and desires to cooperate with the BOARD in all matters of mutual interest;

NOW, THEREFORE, WITNESSETH THIS AGREEMENT, that for and in consideration of the premises, and the mutual covenants and agreements hereinafter set forth, the parties hereby do mutually covenant and agree as follows:

1. The BOARD agrees to accept the industrial wastewater discharge from the INDUSTRIAL USER provided that such discharge conforms with the standards established in the Sewer Use Regulations of the Huntington City Code.
2. The BOARD agrees to control or regulate the industrial waste discharge from the INDUSTRIAL USER in a manner similar to any other industrial user and in accordance with the provisions of the Sewer Use Regulations of the City Code.
3. The INDUSTRIAL USER agrees to abide by all of the rules and regulations governing industrial sewer use that are contained in the Sewer Use Regulations of the City Code or may be hereafter adopted by the BOARD.
4. The INDUSTRIAL USER shall obtain an Industrial Waste Permit from the BOARD in accordance with Article 933.34 of the Sewer Use Regulations of the City Code prior to connecting to or contributing to the BOARD's wastewater treatment system.
5. If the BOARD determines that the INDUSTRIAL USER has failed or has refused to fulfill any pretreatment obligations under the terms of this Agreement or the provisions of the the Sewer Use Regulations of the City Code relative to industrial sewer use, the BOARD may discontinue the acceptance of industrial wastes from

the INDUSTRIAL USER and terminate this Service Agreement by revoking the user's Industrial Waste Permit in accordance with Article 933.49 of the Sewer Use Regulations of the City Code.

6. The INDUSTRIAL USER agrees not to assign or transfer this Agreement without the written consent of the BOARD.
7. The INDUSTRIAL USER agrees to indemnify and save harmless the BOARD of and from all loss, damages, fines, and expenses which the BOARD may suffer or sustain, or be threatened with liability for or arising as a result of the discharge from the INDUSTRIAL USER.
8. This Agreement shall remain in effect so long as the user's Industrial Waste Permit remains in effect. Termination of the Industrial Waste Permit in accordance with the provisions of Article 933.49 of the Sewer Use Regulations of the City Code shall also result in termination of this Agreement.
9. The terms of this Service Agreement may be amended only by written agreement of the two parties. In any event, this Agreement shall be periodically reviewed and revised, as necessary, during the course of the routine permit renewal process provided for in Article 933.34 of the Sewer Use Regulations of the City Code.
10. In the event of any conflict between the provisions of this Agreement and the provisions of the Sewer Use Regulations of the City Code, the Regulations shall take precedence unless clearly specified otherwise.

IN WITNESS WHEREOF, each of the said parties hereto have caused this Agreement to be executed by its proper officer, thereunto duly authorized, as of the day and year first above written.

THE SANITARY BOARD OF THE CITY
OF HUNTINGTON, WEST VIRGINIA

Witness:

By: _____

Title: _____ Chairman

NAME OF INDUSTRY

Witness:

By: _____

Title: _____

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

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TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

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TELEPHONE 304-263-8800

6000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-598-3000

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

250 CHARLES STREET
SISTERSVILLE, WEST VIRGINIA 26175
TELEPHONE 304-652-5541

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

1701 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20006
TELEPHONE 202-956-7680

700 EAST WASHINGTON STREET
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-728-8088

July 10, 1991

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

Ladies and Gentlemen:

We are bond counsel to The Town of Ceredo (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 July 10, 1991, 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 July 10, 1991 (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 \$618,069, 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, 1991, at the respective rate and with principal payable in installments on October 1 in each of the years 1992 through 2029, 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.

JACKSON & KELLY

West Virginia Water Development
Authority
July 10, 1991
Page 2

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 an Interim Financing and Bond Ordinance (the "Ordinance") duly passed by the Governmental Agency on May 13, 1991, effective June 3, 1991, and a Supplemental Resolution adopted on July 8, 1991 (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

JACKSON & KELLY

West Virginia Water Development
Authority
July 10, 1991
Page 3

in the Local Act and secured by a first lien on and pledge of the net revenues of said System. The Supplemental Bonds, as defined in the Local Act, are junior, subordinate and inferior to the lien on the net revenues in favor of the Governmental Agency Bonds, and have been duly issued and delivered to the Authority.

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

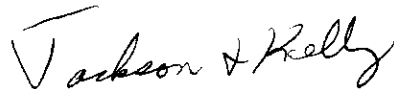
JACKSON & KELLY

West Virginia Water Development
Authority
July 10, 1991
Page 4

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,

A handwritten signature in cursive script that reads "Jackson & Kelly". The signature is written in dark ink and is positioned below the typed name "Jackson & Kelly".

JACKSON & KELLY

ATTORNEYS AT LAW

1800 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

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WASHINGTON, D. C. 20006
TELEPHONE 202-956-7880

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

July 10, 1991

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

Ladies and Gentlemen:

We are bond counsel to The Town of Ceredo (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 supplemental loan agreement, dated July 10, 1991 (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of supplemental sewer revenue bonds of the Governmental Agency, dated July 10, 1991 (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of \$27,906, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years 1992 through 2029, inclusive, all as set forth in Exhibit A incorporated in and made a part of the Supplemental Bonds.

The Supplemental Loan Agreement is supplemental to a loan agreement dated July 10, 1991, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, 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

JACKSON & KELLY

West Virginia Water Development
Authority
July 10, 1991
Page 2

Governmental Agency, 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 Supplemental Bonds are issued, and the Supplemental Loan Agreement that has been undertaken, including all schedules and exhibits to the Supplemental Loan Agreement. The Supplemental Bonds have been authorized by an Interim Financing and Bond Ordinance (the "Ordinance") duly passed by the Governmental Agency on May 13, 1991, effective June 3, 1991 and a Supplemental Resolution adopted on July 8, 1991 (the "Local Act"), which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement. The Supplemental 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 Supplemental 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 Supplemental 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 Supplemental 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 Supplemental Loan Agreement and to issue and sell the Supplemental 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 resolutions and orders in connection with the issuance and sale of the Supplemental Bonds.

JACKSON & KELLY

West Virginia Water Development
Authority
July 10, 1991
Page 3

5. The Supplemental 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 second lien on and pledge of the net revenues of said System, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds.

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Supplemental Bonds, as provided in the Local Act.

7. The Supplemental Bonds are, by the Local Statute, exempt from 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 Supplemental Bonds and the enforceability of the Supplemental 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 Supplemental Bond numbered SR-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

Jackson & Kelly

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

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TELEPHONE 304-599-3000

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26175
TELEPHONE 304-455-1751

250 CHARLES STREET
SISTERSVILLE, WEST VIRGINIA 26175
TELEPHONE 304-652-5541

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

1701 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20006
TELEPHONE 202-856-7660

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

July 10, 1991

The Town of Ceredo
P. O. Box 691
Ceredo, WV 25507

Re: The Town of Ceredo, West Virginia
\$618,069 Sewer Revenue Bonds, Series 1991

Gentlemen:

We have examined a record of proceedings relating to the issuance of the \$618,069 in aggregate principal amount of The Town of Ceredo, West Virginia Sewer Revenue Bonds, Series 1991 (the "Bonds"), issued by The Town of Ceredo (the "Town"), a municipal corporation and a Certificate as to Non-Arbitrage executed by Stanley E. Fink, acting Mayor of The Town of Ceredo on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Non-Arbitrage are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") to support the conclusion that the Bonds are not "arbitrage bonds" as therein defined.

While we have undertaken no independent verification or investigation of the certifications, statements, expectations or representations set forth in such Certificate as to Non-Arbitrage, no matters have come to our attention which in our opinion make unreasonable or incorrect the representations made in such certification.

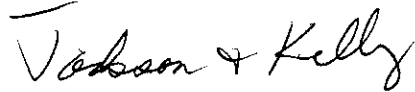
Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Bonds are not "arbitrage bonds" as so defined. It is our further opinion, based upon such Certificate as to Non-Arbitrage and under existing statutes, regulations, rulings and court decisions, that proceeds of the Bonds are not subject to the arbitrage rebate requirements set forth in Section 148(f) of the Code.

JACKSON & KELLY

The Town of Ceredo
July 10, 1991
Page 2

Please be advised that this opinion is subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds not be "arbitrage bonds." Failure to comply with certain of such requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with all such requirements.

Very truly yours,

A handwritten signature in cursive script that reads "Jackson & Kelly". The signature is written in dark ink and is positioned below the typed name "Jackson & Kelly".

LYCAN and PRATT
Attorneys at Law
P O Box 726
705 Hendricks Street
Wayne, West Virginia 25570-0726

David Lycan
Darrell Pratt

Telephone 304-272-6303
Fax Number 304-272-6304

July 10, 1991

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

Jackson & Kelly
Post Office Box 553
Charleston, WV 25322

Re: The Town of Ceredo, West Virginia
\$618,069 Sewer Revenue Bonds, Series 1991

The Town of Ceredo, West Virginia
\$27,906 Supplemental Sewer Revenue
Bonds, Series 1991

Ladies and Gentlemen:

I am Counsel to The Town of Ceredo, 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 and Supplement Loan Agreement by and between the West Virginia Water Development Authority (the "Authority") and the Town, both dated July 10, 1991, and an Interim Financing and Bond Ordinance duly passed by the Common Council (the "Council") of the Town on May 13, 1991, effective June 3, 1991, as supplemented by a Supplemental Resolution adopted July 8, 1991 (collectively, the "Ordinance"), and other documents relating to the Bonds. Terms used in said opinions, the Loan Agreement, Supplemental Loan Agreement and Ordinance and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The Loan Agreement and Supplement Loan Agreement have 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 Counsel 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 charge, including, without limitation, the receipt of all requisite orders and approvals from the Public 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 June 29, 1991 (Case No. 90-808-S-CN), granting to the Town a Certificate of Convenience and Necessity with respect to the Project has not expired prior to the date hereof. The Town and the West Virginia Division of Natural Resources are the only parties who may appeal the order granting a Certificate of Public Convenience and Necessity. The Town does not intend to appeal such Order and the West Virginia Division of Natural Resources has waived its exceptions to said Order writing.

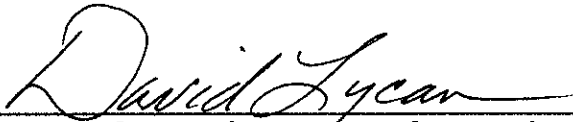
5. The execution and delivery of the Bonds and the Loan Agreement and Supplemental Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement or the Supplemental Loan Agreement, and the carrying out of the terms thereof, do not and will not in any material respect conflict 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 transaction 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,


Counsel to The Town of Ceredo

LAW OFFICES
McDONALD & RODECKER
920 CHARLESTON NATIONAL PLAZA
P. O. BOX 2151

E. DANDRIDGE McDONALD
ROBERT R. RODECKER

HEIDI A. KOSSUTH
ELLEN GOLDEN

CHARLESTON, WEST VIRGINIA 25328

July 10, 1991

AREA CODE 304
344-5046

TELECOPIER NUMBER
344-5103

The Town of Ceredo
Town Hall
Post Office Box 691
Ceredo, West Virginia 25507

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

Re: The Town of Ceredo, West Virginia
\$618,069 Sewer Revenue Bonds,
Series 1991 and \$27,906 Supple-
mental Sewer Revenue Bonds, Series 1991

Gentlemen:

I have served as counsel to the Town of Ceredo, West Virginia (the "Issuer") in regard to certain matters concerning the Public Service Commission of West Virginia (the "Commission"). I was active in obtaining the Issuer's Certificate of Public Convenience and Necessity granted by Order on June 29, 1991. I am also familiar with the Rate Ordinance adopted by the Council of the Issuer on November 19, 1990. Pursuant to the above-noted documents, I am of the opinion as follows:

1. The Issuer has received a Certificate of Public Convenience and Necessity from the Commission and said Certificate is in full force and effect. The Issuer and the West Virginia Division of Natural Resources are the only parties who may appeal the Order granting a Certificate of Public Convenience and Necessity. The Issuer has no intention to appeal said Order and the West Virginia Division of Natural Resources has waived its exceptions to said Order in writing.

2. The Rate Ordinance adopted on November 19, 1990 was duly enacted by the Council of the Issuer and is in full force and effect.

3. The Issuer has the authority under the Act to adopt rates, and the revenues from said rates may be used to pay the debt service on the above-noted bonds and the operation and maintenance cost of the system.

The Town of Ceredo
Jackson & Kelly
Page 2
July 10, 1991

This opinion may be relied upon as if addressed to all
counsel.

Sincerely,


Robert R. Rodecker

RRR/nal

LINE OF CREDIT AGREEMENT

For Temporary Construction Loan

THIS LINE OF CREDIT AGREEMENT, Made this 10th day of July, 1991 by and between THE TOWN OF CEREDO, a municipal corporation, (herein called the "Borrower") situate at Ceredo in Wayne County, West Virginia, and FIRST BANK OF CEREDO, a state banking corporation situate in Ceredo, Wayne County, West Virginia (herein called the "Bank").

WHEREAS, the Borrower desires to arrange interim financing through a Line of Credit (the "Line of Credit") to provide funds for the acquisition and construction of the Project (as defined in the 1991 Ordinance) to the extent Grant Receipts (as defined in the 1991 Ordinance) are not available therefor; and

WHEREAS, the Bank is interested in lending not to exceed \$500,000 (the "Stated Amount") to the Borrower in construction advances with interest at the rate of eight and one-half percent (8.5%) per annum. The Borrower may draw upon the Line of Credit from time to time as hereinafter set forth, but the aggregate amount outstanding at any time may not exceed the Stated Amount; and

WHEREAS, the Bank requires this Line of Credit Agreement to state the terms upon which such advances will be made and repaid.

NOW, THEREFORE, WITNESSETH: that in consideration of the premises and of the construction advances to be made by the Bank as hereinafter provided, the Borrower covenants and agrees and makes assignment as follows:

1. The Borrower hereby assigns, sells, sets over, transfers and delivers to the Bank all its right, title and interest in and to its Grant Receipts in the aggregate principal amount of not to exceed \$500,000 to and only to the extent of the aggregate principal amount of construction advances made by the Bank to the Borrower and interest from the dates of takedowns of construction advances to the date of payment thereof.

2. At or immediately following the Borrower's receipt of Grant Receipts, the Borrower will repay to the Bank the aggregate principal amount of any construction advances made hereunder and accrued interest thereon to the date of payment.

3. It is understood and agreed that before any construction advances will be made by the Bank to the Borrower, the Bank shall have received (a) a negotiable promissory note,

the Credit Line Note, duly executed on behalf of the Borrower payable to the order of the Bank consistent with the provisions hereof and otherwise in such form as may be required by the Bank; and (b) a certified copy of the ordinance or resolution of the governing body of the Borrower authorizing issuance of the above-mentioned Note and the other documentation provided in this credit agreement or required by the Bank whether herein provided or not.

4. Prior to the making of any construction advances hereunder, the Bank shall have received from the Borrower as to each such advance (a) a periodic construction estimate for the applicable period from the Consulting Engineer for the Borrower; and (b) a duly certified resolution of the governing body of the Borrower in form and substance satisfactory to the Bank approving each such periodic construction estimate and requesting the Bank to make a construction advance in the amount stated in such periodic construction estimate.

It is understood and agreed that the Bank shall be entitled to rely entirely upon such periodic construction estimates in the making of construction advances and shall be under no obligation to make any inspection of the construction work upon the Project; and it is further understood and agreed that such Consulting Engineer is at all times and for all purposes deemed to be the agent of the Borrower and not of the Bank.

5. It is understood and agreed that the Borrower may draw upon the Line of Credit from time to time, in the manner described herein, but that the aggregate amount outstanding at any time may not exceed the Stated Amount.

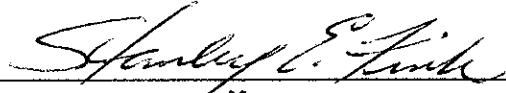
6. The Borrower hereby authorizes and empowers the Bank, at the Bank's option, to act as its agent, at the expense of the Borrower to take all steps necessary to effect compliance prior to delivery of the Grant Receipts, if the Borrower fails to do so, however, any such action by the Bank shall not constitute a waiver by the Bank of any of its rights hereunder.

7. Borrower hereby irrevocably covenants and agrees to proceed promptly with construction of the Project as described in the plans and specifications now on file with the Recorder of the Town, prepared by Regula Engineering, Inc., Consulting Engineers, Huntington, West Virginia.

There is attached hereto as a part hereof a certified copy of the ordinance of the governing body of the Borrower authorizing execution of this Line of Credit Agreement. The Borrower covenants to furnish promptly to the Bank certified copies of all agreements, supplements, amendments and waivers pertaining to this Line of Credit Agreement or the Credit Line Note.

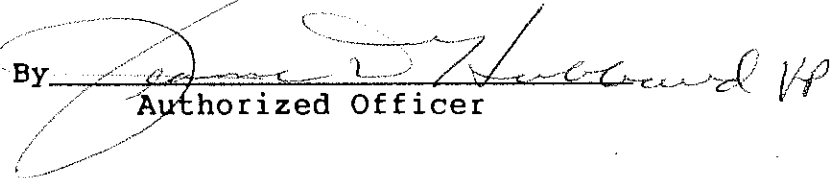
IN WITNESS WHEREOF, the above-named parties have caused this Agreement to be signed on the date first above written in two original counterparts.

THE TOWN OF CEREDO



Mayor

FIRST BANK OF CEREDO

By  VP

Authorized Officer

United States of America
State of West Virginia
The Town of Ceredo
Credit Line Note
Series 1991

R-1

\$500,000

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF CEREDO, a municipal corporation organized and existing under the laws of the State of West Virginia (the "Town"), for value received, hereby promises to pay, but only from the special funds provided therefor, as hereinafter set forth, to FIRST BANK OF CEREDO, T.I.N. 550-63-0626, Ceredo, West Virginia 25507 (the "Owner"), or registered assigns, the sum of Five Hundred Thousand Dollars (\$500,000), or such lesser sum as shall be reflected by the Record of Advances and Payments attached hereto, on July 10, 1991, or on such earlier date as is hereinafter provided. Notwithstanding any provision of this Note to the contrary, this Note shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount hereof outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. Such interest shall be at the rate equal to eight and one-half percent (8.5%) per annum. Said interest shall be based upon a year of 360 days and shall be paid in arrears on the 1st day of each month, beginning with the 1st day of the month next succeeding the month in which the first advance, if any, upon the Line of Credit, as hereinafter defined, is made. The Registrar, as hereinafter defined, shall notify the Sanitary Board of the Town of the amount of interest so accrued. Interest is payable, only from special funds as hereinafter described, by check or draft mailed to the Owner at the address as it appears on the books of Registrar, as hereinafter defined, or by wire transfer or other mutually agreeable method. This Note matures twelve (12) months from the date hereof and shall be payable as to principal upon surrender at the principal office of First Bank of Ceredo, Ceredo, West Virginia, as registrar (the "Registrar"), in any coin or currency which on the date of payment of principal is

A-1

legal tender for the payment of public and private debts under the laws of the United States of America; provided, that, except in the case all the Note outstanding is being prepaid and either (i) the Town's notice of prepayment requires surrender or (ii) the Line of Credit, as hereinafter defined, has been exhausted, any payment of principal prior to the maturity of this Note as provided by the Ordinance, as hereinafter defined, shall be recorded on the Record of Advances and Payments attached hereto, and this Note shall be returned to the Owner. Prepayments of the principal of this Note may be made upon two (2) days' notice to the Owner. Any such prepayment shall also be reflected on the Record of Advances and Payments attached hereto, and interest shall cease to accrue thereon.

This Note is issued pursuant to the Interim Financing and Bond Ordinance passed by the Common Council of the Town on May 13, 1991, effective June 3, 1991, as supplemented by resolution on July 8, 1991 (collectively the "1991 Ordinance"), to evidence the Town's obligation to repay any draw upon a line of credit (the "Line of Credit") by the Town from First Bank of Ceredo (the "Bank"). This Note was issued to provide funds for the completion of the construction of certain extensions, betterments and improvements to the existing sewerage system of the Town to the extent Grant Receipts (as defined in the 1991 Ordinance) are not timely available therefor.

This Note is issued, in addition to the 1991 Ordinance, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13, of the Code of West Virginia, 1931, as amended (the "Act"), and is subject to all the terms and provisions of said 1991 Ordinance and said Act. The principal of and interest on this Note are payable from the Grant Receipts (as defined in the 1991 Ordinance) and to the extent necessary from the net revenues of the sewerage system.

This Note does not constitute a corporate indebtedness of the Town within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Town be obligated to pay the same or the interest hereon except from the special fund provided from the Grant Receipts. Under the 1991 Ordinance, the Town has entered into certain covenants with the Owner, for the terms of which reference is made to said 1991 Ordinance. Remedies provided the Owner are exclusively as provided in the 1991 Ordinance, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the 1991 Ordinance, only upon the books of the Town at the office of the Registrar by the Owner in person or by his attorney duly authorized in writing, upon surrender hereof, together with a written instrument of transfer satisfactory to said Registrar duly executed by the Owner or his duly authorized attorney. Upon transfer hereof, there shall be issued another fully registered Note or fully registered Notes of the aggregate stated principal amount equal to the stated principal amount hereof but evidencing only the indebtedness reflected on the Record of Advances and Payments attached hereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount hereof as reflected on the Record of Advances and Payments attached hereto.

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 Note exist, have happened and have been performed in due time, form and manner as required by law, and that this Note, together with all other obligations of the Town, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that Grant Receipts have been pledged to and will be set aside into a special fund by the Town for, and will be sufficient for, the payment of the principal of and interest on this Note.

All provisions of the 1991 Ordinance and the statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

IN WITNESS WHEREOF, The Town of Ceredo, West Virginia, has caused this Note to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by the Recorder, all as of the 10th day of July, 1991.


 Mayor

[SEAL]

Attest:


 Recorder

CERTIFICATE OF AUTHENTICATION

The undersigned, as Registrar for this Note, hereby certifies that this Note is one of the Notes described in the above-mentioned 1991 Ordinance and was duly registered in the name set forth above on the date set forth below.

Date: July 10, 1991

FIRST BANK OF CEREDO, as
Registrar

By


Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS*

<u>Date</u>	<u>Amount Advanced</u>	<u>Principal Payment</u>	<u>Outstanding** Balance</u>	<u>Authorized Officer</u>
	\$	\$	\$	

"SPECIMEN"

* To be completed upon each draw upon or repayment on the Line of Credit

**Not to exceed \$500,000 at any one time.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the Credit Line Note, Series 1991, of The Town of Ceredo, West Virginia, and does hereby irrevocably constitute and appoint _____, attorney to transfer said Note on the books of said Town with full power of substitution in the premises.

DATED: _____

"SPECIMEN"

IN THE PRESENCE OF: _____

4762h

NOTE REGISTER

First Bank of Ceredo, as Note Registrar
for
The Town of Ceredo, West Virginia
\$500,000 Credit Line Note, Series 1991

Noteholder	Note Number	Registration Date	Authorized Officer
First Bank of Ceredo P.O. Box 607 Ceredo WV 25507 550-63-0626	R-1	July 10, 1991	