

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(RURAL UTILITIES SERVICE), SERIES 1999A;

\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND),  
SERIES 1999B;

and  
\$120,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BONDS  
(UNION BANK OF TYLER COUNTY),  
SERIES 1999C

## BOND ORDINANCE

### Table of Contents

|                                                                | <u>Subject</u>                                                        | <u>Page</u> |
|----------------------------------------------------------------|-----------------------------------------------------------------------|-------------|
| <br>ARTICLE I<br>STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS |                                                                       |             |
| Section 1.01.                                                  | Authority for this Ordinance .....                                    | 1           |
| Section 1.02.                                                  | Findings and Determinations .....                                     | 1           |
| Section 1.03.                                                  | Ordinance to Constitute Contract .....                                | 4           |
| Section 1.04.                                                  | Definitions .....                                                     | 4           |
| <br>ARTICLE II<br>AUTHORIZATION OF PROJECT                     |                                                                       |             |
| Section 2.01.                                                  | Authorization of Acquisition and<br>Construction of the Project ..... | 9           |
| Section 2.02.                                                  | Authorization for Issuer to Accept Letter<br>of Conditions .....      | 10          |
| Section 2.03.                                                  | Authorization for Issuer to Enter Into Loan<br>Agreement .....        | 10          |
| Section 2.04.                                                  | Authorization for Issuer to Accept Loan<br>Commitment Letter .....    | 10          |
| Section 2.05.                                                  | Designation of Parties .....                                          | 10          |

**ARTICLE III**  
**AUTHORIZATION, TERMS, EXECUTION, REGISTRATION**  
**AND ISSUANCE OF BONDS**

|               |                                                                                                                                                                    |    |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Section 3.01. | Authorization of Bonds .....                                                                                                                                       | 10 |
| Section 3.02. | Description of Bonds .....                                                                                                                                         | 10 |
| Section 3.03. | Execution of Bonds .....                                                                                                                                           | 12 |
| Section 3.04. | Negotiability, Registration, Transfer and Exchange of Bonds .....                                                                                                  | 12 |
| Section 3.05. | Registrar .....                                                                                                                                                    | 13 |
| Section 3.06. | Bonds Mutilated, Destroyed, Stolen or Lost .....                                                                                                                   | 13 |
| Section 3.07. | Bonds not to be Indebtedness of the Issuer .....                                                                                                                   | 13 |
| Section 3.08. | Bonds Secured by Pledge of Revenues .....                                                                                                                          | 13 |
| Section 3.09. | Form of Bonds .....                                                                                                                                                | 14 |
|               | (FORM OF BONDS) .....                                                                                                                                              | 15 |
| Section 3.10. | Sale of Bonds; Acceptance of Letter of Conditions from<br>RUS; Ratification of Execution of Loan Agreement with<br>Authority and DEP; Incorporation of Terms ..... | 37 |
| Section 3.11. | Prohibition of Other Loans .....                                                                                                                                   | 37 |
| Section 3.12. | Certificate of Consulting Engineers .....                                                                                                                          | 37 |
| Section 3.13. | "Amended Schedule B" Filing .....                                                                                                                                  | 37 |

**ARTICLE IV**  
**INTERIM CONSTRUCTION FINANCING**

|               |                                       |    |
|---------------|---------------------------------------|----|
| Section 4.01. | Authorization and General Terms ..... | 37 |
| Section 4.02. | Terms of and Security for Notes ..... | 38 |
| Section 4.03. | Notes are Special Obligations .....   | 38 |
| Section 4.04. | Execution of Documents .....          | 38 |

**ARTICLE V**  
**REVENUES AND APPLICATION THEREOF;**  
**DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS**

|                |                                                                   |    |
|----------------|-------------------------------------------------------------------|----|
| Section 5.01.  | Establishment of Funds and Accounts with<br>Depository Bank ..... | 38 |
| Section 5.02A. | Establishment of Fund and Account with<br>Depository Bank .....   | 38 |
| Section 5.02B. | Establishment of Funds and Accounts with<br>Commission .....      | 39 |
| Section 5.03.  | Bond Proceeds;<br>Project Construction Accounts .....             | 39 |
| Section 5.04   | Deposit in the Refunding Fund .....                               | 39 |

|               |                                                           |    |
|---------------|-----------------------------------------------------------|----|
| Section 5.05. | Covenants of the Issuer as to Revenues<br>and Funds ..... | 39 |
| Section 5.06. | Excess Bond Proceeds .....                                | 46 |

## ARTICLE VI BOND PROCEEDS; DISBURSEMENTS

|               |                                                                           |    |
|---------------|---------------------------------------------------------------------------|----|
| Section 6.01. | Application of Bond Proceeds .....                                        | 46 |
| Section 6.02. | Series 1999A Bond Proceeds; Project<br>Construction Account .....         | 46 |
| Section 6.03  | Disbursements from the Series 1999B<br>Project Construction Account ..... | 47 |

## ARTICLE VII GENERAL COVENANTS

|               |                                                                   |    |
|---------------|-------------------------------------------------------------------|----|
| Section 7.01. | General Statement .....                                           | 48 |
| Section 7.02. | Bonds not to be Indebtedness of the Issuer .....                  | 48 |
| Section 7.03. | Bonds Secured by Pledge of Net Revenues .....                     | 48 |
| Section 7.04. | Rates .....                                                       | 48 |
| Section 7.05. | Completion, Operation and Maintenance;<br>Schedule of Costs ..... | 49 |
| Section 7.06. | Sale of the System .....                                          | 49 |
| Section 7.07. | Issuance of Additional Parity Bonds<br>or Obligations .....       | 50 |
| Section 7.08. | Parity Bonds .....                                                | 51 |
| Section 7.09. | Books, Records and Facilities .....                               | 53 |
| Section 7.10. | Compliance with Loan Agreement, Rules and<br>Regulations .....    | 54 |
| Section 7.11. | Insurance and Bond .....                                          | 54 |
| Section 7.12. | Statutory Mortgage .....                                          | 56 |
| Section 7.13. | Fiscal Year; Budget .....                                         | 56 |
| Section 7.14. | Compensation of Members of Governing<br>Body .....                | 56 |
| Section 7.15. | Covenant to Proceed and Complete .....                            | 56 |
| Section 7.16. | Books and Records; Audits .....                                   | 56 |
| Section 7.17. | Engineering Services and Operating Personnel .....                | 57 |
| Section 7.18. | No Competition .....                                              | 57 |
| Section 7.19. | Tax Covenants as to Tax Exempt<br>Status of Bonds .....           | 58 |
| Section 7.20. | Enforcement of Collections .....                                  | 59 |
| Section 7.21. | No Free Services .....                                            | 59 |
| Section 7.22. | Mandatory Connections .....                                       | 60 |

|               |                                                               |    |
|---------------|---------------------------------------------------------------|----|
| Section 7.23. | Completion and Operation of Project; Permits and Orders ..... | 60 |
| Section 7.24. | Securities Law Compliance .....                               | 60 |
| Section 7.25  | Public Service Commission Approval .....                      | 60 |

## ARTICLE VIII INVESTMENT OF FUNDS; NON ARBITRAGE

|               |                                              |    |
|---------------|----------------------------------------------|----|
| Section 8.01. | Investments .....                            | 61 |
| Section 8.02. | Arbitrage .....                              | 61 |
| Section 8.03. | Tax Certificate and Rebate .....             | 61 |
| Section 8.04. | Restriction of Yield and Bond Proceeds ..... | 62 |

## ARTICLE IX DEFAULT AND REMEDIES

|               |                               |    |
|---------------|-------------------------------|----|
| Section 9.01. | Events of Default .....       | 62 |
| Section 9.02. | Remedies .....                | 62 |
| Section 9.03. | Appointment of Receiver ..... | 63 |

## ARTICLE X DEFEASANCE

|                |                           |    |
|----------------|---------------------------|----|
| Section 10.01. | Defeasance of Bonds ..... | 64 |
|----------------|---------------------------|----|

## ARTICLE XI RATES, RULES, COVENANTS, ETC.

|                |                                             |    |
|----------------|---------------------------------------------|----|
| Section 11.01. | Initial Schedule of Rates and Charges ..... | 65 |
| Section 11.02  | Further Covenants .....                     | 65 |

## ARTICLE XII MISCELLANEOUS

|                |                                              |    |
|----------------|----------------------------------------------|----|
| Section 12.01. | Filing Under Uniform Commercial Code .....   | 66 |
| Section 12.02. | Delivery of Bonds .....                      | 66 |
| Section 12.03. | Severability of Invalid Provision .....      | 66 |
| Section 12.04. | Amendment or Modification of Ordinance ..... | 66 |
| Section 12.05. | Ordinance Constitutes Contract .....         | 66 |
| Section 12.06. | Conflicting Provisions Repealed .....        | 66 |
| Section 12.07. | Table of Contents and Headings .....         | 67 |
| Section 12.08. | Covenant of Due Procedure, Etc. ....         | 67 |
| Section 12.09. | Supplemental Resolutions .....               | 67 |
| Section 12.10. | Effective Time .....                         | 67 |
| Section 12.11  | Statutory Notice and Public Hearing .....    | 67 |

## TOWN OF MIDDLEBOURNE, WEST VIRGINIA

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF SEWER REVENUE BONDS (RURAL UTILITIES SERVICE), SERIES 1999A, SEWER REVENUE BONDS (STATE REVOLVING FUND), SERIES 1999B, AND SEWER REVENUE REFUNDING BONDS (UNION BANK OF TYLER COUNTY), SERIES 1999C, OF THE TOWN OF MIDDLEBOURNE, IN THE AMOUNTS OF \$800,000, \$375,000 AND \$120,000, RESPECTIVELY, TO FINANCE A PORTION OF THE COSTS OF THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC SEWER SYSTEM AND REFUND CERTAIN EXISTING INDEBTEDNESS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; APPROVING AND RATIFYING A LETTER OF CONDITIONS RELATING TO THE SERIES 1999A BONDS, A LOAN AGREEMENT RELATING TO THE SERIES 1999B BONDS AND A COMMITMENT LETTER RELATING TO THE SERIES 1999C BONDS; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BONDS; PROVIDING STATUTORY LIEN ON SYSTEM; PROVIDING FOR THE ENACTMENT, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC SEWER SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF TOWN OF MIDDLEBOURNE, WEST VIRGINIA:

### ARTICLE I

#### STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Ordinance") is enacted pursuant to the provisions of Chapter 16, Article 13, Chapter 22C, Article 2 and Chapter 13, Article 2E of the West Virginia Code, as amended (collectively, the "Act") and other applicable provisions of law.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. Town of Middlebourne (the "Town" or "Issuer") is a municipal corporation and political subdivision of the State of West Virginia located in Tyler County, West Virginia.

B. The Issuer now has a public sewer system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered,

that there be acquired and constructed certain additions, betterments and improvements to the existing public sewer system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the Town, including the construction and installation of all necessary appurtenant facilities (the "Project"), and generally described as sewer line extensions, pumps, pumping stations, treatment plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Recorder of the Town Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue and refunding revenue bonds in the aggregate principal amounts of \$800,000, \$375,000 and \$120,000, respectively, to finance a portion of the costs of such construction and to refund certain existing indebtedness in the manner hereinafter provided.

D. The estimated maximum cost of the construction of the Project is \$3,014,300, which will be obtained from the proceeds of sale of the Series 1999A and Series 1999B Bonds herein authorized and from grants to be made by RUS, as hereinafter defined, and by the State of West Virginia, in the amounts of \$572,500 and \$402,400, respectively. The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or any interest therein; interest on the Bonds prior to, during and for six (6) months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

E. In accordance with Section 18 of Chapter 16, Article 13, the System will be under the supervision and control of the Sanitary Board of the Issuer (the "Board"). The Board has approved and delivered a Petition to the Issuer requesting the enactment of this Ordinance and the issuance of the Series 1999A, Series 1999B and Series 1999C Bonds, as hereinafter defined.

F. The Issuer is the beneficiary of Small Cities Block grants in the amounts of \$375,000 and \$744,400, an RUS grant in the amount of \$572,500, and an Advance Assistance grant from the State of West Virginia in the amount of \$27,400, the proceeds of which, together with the proceeds of the Series 1999A and Series 1999B Bonds, will be used to acquire, construct and equip the Project.

G. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

H. There is currently an outstanding obligation of the Issuer which will be redeemed with the proceeds of the Series 1999C Bonds, being the Sewer Revenue Bond of the Issuer, dated

January 1, 1973 (the "1973 Bond") issued in the original principal amount of \$215,000 secured under the terms of the 1973 Ordinance (hereinafter defined). The 1973 Bond is being refunded to eliminate certain burdensome covenants contained in the 1973 Ordinance which unduly limit the Issuer's ability to incur new debt and construct the Project.

With the exception of the 1973 Bond described above, there are no other outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien, pledge and/or source of and security for payment.

I. The Issuer is not in default under the terms of the 1973 Ordinance or any document in connection therewith. The Issuer intends to use the proceeds of the Series 1999C Bonds to redeem the 1973 Bond in whole.

J. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

K. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of the Bonds including, among other things, the imposition of rates and charges and the consent and approval, pursuant to the Act, of the issuance of the Bonds by the Public Service Commission of West Virginia by final order. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

L. It is in the best interests of the Issuer that the Series 1999A Bonds be sold to the United States Department of Agriculture, Rural Utilities Service, successor in interest to the Farmers Home Administration (the "Purchaser" or "RUS"), pursuant to the terms and provisions of a Letter of Conditions dated January 26, 1996, and all amendments thereto, that the Series 1999B Bonds be sold to the West Virginia Water Development Authority (the "Authority"), pursuant to the terms and provisions of a Loan Agreement, and all amendments thereto, and that the Series 1999C Bonds be sold to the Union Bank of Tyler County (the "Bank"), pursuant to the terms and provisions of an undated commitment letter from the Bank.

M. The Issuer has also made arrangements for interim financing as requested by RUS and deems it to be in the best interests of the Issuer to enter into a Credit Agreement and execute a note or notes in the initial amount of \$450,000 payable to any interim construction or financing lender which lender is initially Union Bank of Tyler County.

N. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(c) of the Code and all other entities benefiting thereby reasonably expect to issue less than \$5,000,000 in aggregate principal amount of tax-exempt obligations

during the calendar year in which the Bonds for the construction phase are to be issued.

O. The Issuer hereby designates the Series 1999C Bonds as a "qualified tax-exempt obligation" for purposes of Section 265(b) of the Code, as hereafter defined.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bonds by the Purchaser, this Ordinance (the "Ordinance") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of the Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond of a Series and any other Bonds of the same Series, by reason of priority of issuance or otherwise, except as expressly provided therein or herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the text otherwise expressly requires:

"Act" means Chapter 16, Article 13, Chapter 22C, Article 2 and Chapter 13, Article 2E of the West Virginia Code, as amended.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Series 1999B Bonds, and any successor thereto.

"Authorized Officer" means the Mayor of the Issuer or any acting Mayor duly appointed by the Governing Body.

"Bank" means the Union Bank of Tyler County, Middlebourne, West Virginia, a state banking corporation with its principal office in Tyler County of said State, and any successor thereto.

"Board" means the Sanitary Board of the Issuer, as created and appointed by ordinance enacted by the Governing Body of the Issuer pursuant to the provisions of § 16-13-18, and any successor thereto.

"1999 Bonds" or "Bonds" means collectively, the \$800,000 Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A, the \$375,000 Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B, and the \$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, authorized by this ordinance.

"1973 Bond" means the outstanding bonds of the Issuer dated January 1, 1973, described in Section 1.02 F herein to be refunded with the Series 1999C Bonds.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by RUS, the Authority and the Bank.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

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

"Consulting Engineer" means Cerrone & Associates, Inc., Wheeling, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02 hereof to be a part of the cost of acquisition and construction of the Project.

"DEP" means the West Virginia Division of Environmental Protection, or any other agency of the State of West Virginia that succeeds to the functions of DEP.

"Depository Bank" means initially the Union Bank of Tyler County, Middlebourne, West Virginia, a bank or trust company which is a member of FDIC and its successors and assigns or such other qualified bank or trust company designated now or hereafter by Issuer.

"Facilities" or "Sewer facilities" means all the land and tangible properties of the System and also any tangible properties which may hereafter be added to the sewer system by addition, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Town Council of the Issuer.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America.

"Herein" means in this Ordinance.

"Holders of the Bonds" or any similar term means any person who shall be the registered owners of the Bonds.

"Issuer" or "Town" means Town of Middlebourne, Tyler County, West Virginia, and, where appropriate, also means the Governing Body.

"Letter of Conditions" means the Letter of Conditions from the United States Department of Agriculture, Rural Utilities Service, to the Town, dated January 26, 1996, and any amendments thereto.

"Loan Agreement" means the Loan Agreement to be entered into among the Authority, the West Virginia Division of Environmental Protection, and the Issuer, and any amendments thereto, which provides for the purchase of the Series 1999B Bonds from the Issuer by the Authority, the form of which may be approved, and the execution and delivery by the Issuer authorized and directed or ratified herein.

"Loan Commitment Letter" means the undated letter from Union Bank of Tyler County to the Issuer approving the purchase of approximately \$120,000 of the Issuer's Series 1999C Bonds.

"Mayor" means the Mayor of the Governing Body.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of Operating Expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Ordinance" means this Ordinance and all resolutions supplemental hereto.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to their principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bonds registered to the Issuer.

"1973 Ordinance" means the ordinance providing for the 1973 Bond, adopted April 16, 1973.

"Paying Agent" means the West Virginia Municipal Bond Commission, its successors and assigns, as to the Series 1999B and Series 1999C Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" shall have the meaning stated in Section 1.02 B. above.

"Purchaser" means RUS, the Authority and the Bank as the purchasers of the Series 1999A Bonds, Series 1999B Bonds, and Series 1999C Bonds, respectively, and any successors thereto.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bonds, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured

by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; provided that investments in such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Recorder" means the Recorder of the Governing Body.

"Registered Owner", "Bondholder" or "Holder" or any similar term means whenever used herein with respect to an outstanding Bond, the person or entity in whose name such Bond is registered.

"Registrar" or "Bond Registrar" means the Issuer, as to the Series 1999A Bonds, which usually shall act by its Recorder, and the Union Bank of Tyler County as to the Series 1999B and 1999C Bonds.

"Regulations" means temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting principles.

"RUS" or "Rural Utilities Service" means the United States of America, United States Department of Agriculture, Rural Utilities Service, and any successor thereto.

"Series 1999A Bonds" mean the \$800,000 Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A.

"Series 1999B Bonds" means the \$375,000 Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B.

"Series 1999C Bonds" means the \$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C.

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

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

"State" means the State of West Virginia.

"System" means the Project initially, and all existing sewer facilities owned by the Issuer and all Facilities and other property of every nature, real or personal, now or hereafter acquired and/or owned, held or used in connection with the System, including mains, valves, reservoirs, pumps, machinery, treatment or purification plants and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public sewer system; and shall also include any and all additions, extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said sewer system after completion of the Project.

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

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations; words importing the masculine, feminine or neuter genders shall include any other gender; and any requirement for execution, sealing and/or attestation of the Bonds or any certificate or other document by the Recorder shall mean that such Bond certificate or other document may be executed, sealed and/or attested by an Acting Recorder.

## ARTICLE II

### AUTHORIZATION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$3,014,300, including \$800,000, \$375,000 and \$120,000 in bonded indebtedness, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article V hereof. The Issuer has received bids and entered into contracts for the acquisition, construction and equipping of the Project compatible with the financing plan submitted to DEP and RUS.

Section 2.02. Authorization for Issuer to Accept Letter of Conditions. The Issuer hereby accepts and approves the Letter of Conditions and the sale of the Series 1999A Bonds pursuant to the Letter of Conditions. The Mayor is hereby authorized and directed to accept and receive the Letter of Conditions from RUS.

Section 2.03. Authorization for Issuer to Enter Into Loan Agreement. The Issuer hereby approves the Loan Agreement and the sale of the Series 1999B Bonds pursuant to the Loan Agreement. The Mayor is hereby authorized and directed to execute and deliver the Loan Agreement to the Authority.

Section 2.04. Authorization for Issuer to Accept Loan Commitment Letter. The Issuer hereby accepts and approves the Loan Commitment Letter and the sale of the Series 1999C Bonds pursuant to the Loan Commitment Letter. The Mayor is hereby authorized and directed to accept and receive the Loan Commitment Letter from the Bank.

Section 2.05. Designation of Parties. The Issuer hereby designates Union Bank of Tyler County, Middlebourne, West Virginia, to serve as the Registrar for the Series 1999B and 1999C Bonds and as the Depository Bank. The West Virginia Municipal Bond Commission is hereby designated as Paying Agent for the Series 1999B and 1999C Bonds.

## ARTICLE III

### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions hereof, the Bonds of the Issuer to be known as "Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A" in the principal amount of \$800,000, and "Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B" in the principal amount of \$375,000, are hereby authorized to be issued for the purpose of financing a portion of the cost of the construction and acquisition of the Project, and the Bonds of the Issuer to be known as "Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler

County), Series 1999C" in the principal amount of \$120,000, are hereby authorized to be issued for the purpose of redeeming the 1973 Bond in full.

Section 3.02. Description of Bonds. The Series 1999A Bonds shall be issued as a single registered form, No. AR-1, and shall be dated on the date of delivery. The Series 1999A Bonds shall bear interest on the amount outstanding from the date of issuance, payable monthly at a maximum rate of four and 75/100 percent (4.75%) per annum, or such lower rate that RUS will make available at closing, and shall be sold for the par value thereof but in no event greater than four and 75/100 percent (4.75%) per annum.

The Series 1999B Bonds shall be dated on the date of delivery. The Series 1999B Bonds shall bear interest from the date of completion of the Project, payable quarterly at a maximum rate of two percent (2.0%) per annum plus a one percent (1%) administrative fee per annum and shall be sold for the par value thereof, as set forth in the Loan Agreement.

Repayment of principal and interest on the Series 1999B Bonds shall begin December 1, 2000, (with the first payment to the Municipal Bond Commission due on September 1, 2000) and be payable quarterly thereof on each March 1, June 1, September 1 and December 1, to and including September 1, 2020. The administrative fee shall be payable quarterly. The Series 1999B Bonds shall mature in twenty-one (21) years, with the final payment on September 1, 2020 and shall be redeemable in whole or in part, all as prescribed herein. The Series 1999B Bonds shall be payable as to principal and interest at the office of the Paying Agent, in any coin or currency which, on the dates 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.

Unless otherwise provided by a Supplemental Resolution, the Series 1999B Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal and interest amount, and shall mature in principal and interest installments, as provided in said Series 1999B Bonds. The Series 1999B Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal and interest installments of said Series 1999B Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Series 1999B Bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

The Series 1999C Bonds shall be dated on the date of delivery. The Series 1999C Bonds shall bear interest from date, payable semiannually, at a rate of five percent (5.0%) per annum and shall be sold for the par value thereof.

Repayment of principal and interest on the Series 1999C Bonds shall begin January 1, 2000. The Series 1999C Bonds shall mature with the final payment on January 1, 2013, and shall be redeemable in whole or in part, all as prescribed herein. The Series 1999C Bonds shall be payable as to principal and interest at the office of the Paying Agent, in any coin or currency

which, on the dates 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.

Unless otherwise provided by a Supplemental Resolution, the Series 1999C Bonds shall be issued in the form of a single bond, fully registered to the Bank, with a debt service schedule attached, representing the aggregate principal and interest amount, and shall mature in principal and interest installments, as provided in said Series 1999C Bonds. The Series 1999C Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series Outstanding and being exchanged, with principal and interest installments of said Series 1999C Bonds.

Subsequent series of 1999C Bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

The Bonds shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the Issuer and shall be payable as provided in the Bond forms hereinafter set forth.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recorder, and the Mayor and the Recorder are hereby authorized to execute the Bonds and such other documents as are necessary to finalize this transaction. 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 Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

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

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bonds. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bonds may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05

hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interest in the Bonds shall be transferable except by means of transfer of registration of Bonds representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Ordinance.

Whenever the Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on that Bonds.

Section 3.05. Registrar. The Issuer shall be the Bond Registrar for the Series 1999A Bonds only. The Union Bank of Tyler County shall be the Bond Registrar for the Series 1999B and 1999C Bonds. The Registrar will keep or cause to be kept by its agent at its office, sufficient books for the registration and transfer of the Bonds, and upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Registrar shall accept the Bonds for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or social security numbers of the settlor and beneficiaries of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any of the Bonds shall become mutilated or be destroyed, stolen or lost, the Registrar may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Registrar proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Registrar may require. The Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the net revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1999 Bond

Reserve Accounts, as created in Sections 5.02A and 5.02B. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Revenues. The payment of the debt service of the Series 1999A, 1999B and 1999C Bonds shall be secured forthwith by a parity first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 1999A, 1999B and 1999C Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1999A, 1999B and 1999C Bonds as the same become due on a parity basis.

Section 3.09. Form of Bonds. Subject to the provisions hereof, the text of the Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any supplemental resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF 1999A BOND)

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS (RURAL UTILITIES SERVICE),  
SERIES 1999A

No. AR-1

Date: August 27, 1999

FOR VALUE RECEIVED, the TOWN OF MIDDLEBOURNE, a municipal corporation and political subdivision of the State of West Virginia, in Tyler County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00), plus interest on the unpaid principal balance at the rate of four and 75/100 percent (4.75.0%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$3,800.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made to the Government and mailed to the address as it appears on the books of the Issuer. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with the Issuer's Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C and any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a sewer system (the "System") or refunding existing debt of the Issuer, are payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

This Bond is payable only from and secured by a parity pledge of the net revenues to be derived from the operation of the system, from moneys in the Series 1999A Bonds Reserve Account created under the Ordinance for the Bonds and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the

moneys in the Series 1999A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Series 1999B Bonds and Series 1999C Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999A Bonds Reserve Account amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999B and Series 1999C Bonds Reserve Accounts, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirements therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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 hereof.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Ordinance enacted by the Issuer and effective on August 26, 1999, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code (herein called the "Act").

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (STATE REVOLVING FUND), SERIES 1999B AND THE SEWER REVENUE REFUNDING BONDS (UNION BANK OF TYLER COUNTY), SERIES 1999C, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH BONDS.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505-7500.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, the TOWN OF MIDDLEBOURNE has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF MIDDLEBOURNE

(SEAL)

By: \_\_\_\_\_  
Mayor  
100 Main Street  
Middlebourne, WV 26149

ATTEST:

By: \_\_\_\_\_  
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999A Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August \_\_, 1999

UNION BANK OF TYLER COUNTY

By: \_\_\_\_\_

Its: \_\_\_\_\_

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 Issuer with full power of substitution in the premises.

DATED: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of:

\_\_\_\_\_

EXHIBIT A

RECORD OF ADVANCES

| AMOUNT         | DATE            | AMOUNT  | DATE |
|----------------|-----------------|---------|------|
| (1) \$         | August 27, 1999 | (6) \$  |      |
| (2) \$         |                 | (7) \$  |      |
| (3) \$         |                 | (8) \$  |      |
| (4) \$         |                 | (9) \$  |      |
| (5) \$         |                 | (10) \$ |      |
| TOTAL \$ _____ |                 |         |      |

EXHIBIT B

DEBT SERVICE SCHEDULE

(FORM OF 1999B BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
THE TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS (STATE REVOLVING FUND),  
SERIES 1999B

No. BR-1

\$375,000

Date: August 27, 1999

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF MIDDLEBOURNE, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in Tyler County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Three Hundred Seventy-five Thousand and 00/100 Dollars (\$375,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at zero percent (0%) per annum until \_\_\_\_\_, 20\_\_\_; thereafter interest shall be paid on the unpaid principal balance at the rate of two percent (2%) per annum plus a one percent (1%) annual administrative fee payable quarterly. Principal and interest on the Bond is payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The final installment of principal and interest shall be paid at the end of twenty (20) years from the date interest begins to accrue on this Bond and shall be in an amount equal to the amount of outstanding principal and interest due on the Bond at said date. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and shall cease to accrue on the amount outstanding, or portions thereof, as the same is paid, as reflected by said Record of Advances.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal and interest on this Bond are 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 Union Bank of Tyler County, Middlebourne, West Virginia (the "Registrar"), on the 15th day of the month next preceding such 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 at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Division of Environmental Protection ("DEP") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and among the Issuer, the Authority and DEP.

This Bond is issued (i) to pay a portion of the costs of construction of certain additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective on August 26, 1999 (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 Bond under the Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created under the Ordinance for the Bonds (the "Series 1999B Bonds Reserve Account") and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on this Bond as well as the Series 1999A and 1999C Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999B Bonds Reserve Accounts amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999A and 1999C Bonds Reserve Accounts, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books 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 duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the 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 owner of this Bond.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (RURAL UTILITIES SERVICE), SERIES 1999A AND SEWER REVENUE REFUNDING BONDS (UNION BANK OF TYLER COUNTY), SERIES 1999C, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest 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.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, THE TOWN OF MIDDLEBOURNE 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 August 27, 1999.

THE TOWN OF MIDDLEBOURNE, WEST  
VIRGINIA

[SEAL]

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999B Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August \_\_\_, 1999

UNION BANK OF TYLER COUNTY

By: \_\_\_\_\_

Its: \_\_\_\_\_

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of :

\_\_\_\_\_

EXHIBIT A  
RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u>     | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-----------------|---------------|-------------|
| (1)           | August 27, 1999 | (6)           |             |
| (2)           |                 | (7)           |             |
| (3)           |                 | (8)           |             |
| (4)           |                 | (9)           |             |
| (5)           |                 | (10)          |             |
|               |                 | TOTAL         | \$ _____    |

EXHIBIT B

DEBT SERVICE SCHEDULE

(FORM OF 1999C BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
THE TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BOND  
(UNION BANK OF TYLER COUNTY)  
SERIES 1999C

No. CR-1

\$120,000

Date: August 27, 1999

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MIDDLEBOURNE, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in Tyler County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the Union Bank of Tyler County (the "Bank") or registered assigns, the sum of One Hundred Twenty Thousand and 00/100 Dollars (\$120,000.00), plus interest on the unpaid principal balance hereof at a rate of five percent (5%) per annum. Principal and interest on the Bond is payable in semiannual installments commencing January 1, 2000, and thereafter in semiannual installments on each January 1 and July 1, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal and interest on this Bond are 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 Union Bank of Tyler County, Middlebourne, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Bank is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole at par upon thirty (30) days prior written notice to the Bank.

This Bond is issued to redeem in full the outstanding principal balance and all accrued interest thereon represented by the Issuer's Sewer Revenue Bonds, Series 1973. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 13, Article 2E of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective on August 26, 1999 (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 Bond under the Ordinance.

This Bond is payable only from and secured by a parity pledge of the net revenues to be derived from the operation of the System, from moneys in the Series 1999C Bonds Reserve Account created under the Ordinance for the Bonds and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and Sewer Revenue Bonds (State Revolving Fund), Series 1999B. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999C Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Series 1999A Bonds and Series 1999B Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999C Bonds Reserve Account amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999A and Series 1999B Bonds, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirements therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books 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 duly authorized in writing.

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

All money received from the sale of this Bond shall be applied solely to the payment of the principal of and interest on the 1973 Bond, as 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 owner of this Bond.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (RURAL UTILITIES SERVICE), SERIES 1999A AND SEWER REVENUE BONDS (STATE REVOLVING FUND), SERIES 1999B, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest 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 MIDDLEBOURNE 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 August 27, 1999.

THE TOWN OF MIDDLEBOURNE, WEST  
VIRGINIA

[SEAL]

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999C Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August \_\_\_, 1999

UNION BANK OF TYLER COUNTY

By: \_\_\_\_\_

Its: \_\_\_\_\_

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of :

\_\_\_\_\_

EXHIBIT A

DEBT SERVICE SCHEDULE

Section 3.10. Sale of Bonds; Acceptance of Letter of Conditions from RUS; Ratification of Execution of Loan Agreement with Authority and DEP; Incorporation of Terms. The Series 1999A Bonds shall be sold to RUS, pursuant to the terms and conditions of the Letter of Conditions, the Series 1999B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement, and the Series 1999C Bonds shall be sold to the Bank, pursuant to the terms and conditions of the Bank's commitment letter. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Letter of Conditions and the Loan Agreement in substantially the forms attached hereto as "Exhibit A" and made a part hereof, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to DEP and the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The Loan Agreement, as the same may be amended and/or supplemented, and the terms and provisions thereof are herein incorporated by reference thereto.

Section 3.11. Prohibition of Other Loans. So long as the Bonds are outstanding, no bonds or other evidences of indebtedness against the System shall be issued by the Issuer without the prior written consent of RUS, the Authority and DEP and the Bank; provided however, that the Issuer may issue refunding bonds to pay the entire outstanding principal of and interest accrued on the Bonds in full. The Issuer shall give RUS, the Authority and DEP and the Bank prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 3.12. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, the Project is or will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of acquisition, construction and equipping of the Project.

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

## ARTICLE IV

### INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain costs of the Project pending receipt of the gross proceeds of the Series 1999A Bonds, the Issuer may issue and sell its Note or Notes (the "Notes"), in an aggregate principal amount not to exceed \$450,000. The Notes may be issued as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution supplemental

hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such date or dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the supplemental resolution.

Section 4.02. Terms of and Security for Notes. The Notes, if issued, shall be issued with such terms and secured in the manner set forth in a supplemental resolution.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the proceeds of the Series 1999A Bonds, grant proceeds, surplus revenues, letter of credit proceeds, if any, and other sources. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the supplemental resolution.

Section 4.04. Execution of Documents. The Notes, Credit Agreement and any other documents required to be executed by the commercial bank or other lender shall be executed in the name of the Issuer by the Mayor, and the Mayor and Recorder are hereby authorized to execute any Note, Notes, Credit Agreement or any other documents necessary to secure the interim financing.

## ARTICLE V

### REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1973 Ordinance), and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the 1973 Ordinance and continued hereby);
- (2) Project Construction Accounts, as hereinafter defined;
- (3) Operation and Maintenance Fund (established by the 1973 Ordinance and continued hereby);
- (4) Renewal and Replacement Fund (established by the 1973 Ordinance and continued hereby); and
- (5) Depreciation Account.

Section 5.02A. Establishment of Fund and Account with Depository Bank. The following special funds or accounts are hereby created and established with the Depository Bank:

- (1) Series 1999A Sinking Fund;
- (a) Within the Series 1999A Sinking Fund, a Series 1999A Reserve Account.

Section 5.02B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created and established with the Commission:

- (1) Series 1999B and Series 1999C Bonds Sinking Funds;
- (a) Within the Series 1999B and Series 1999C Bonds Sinking Funds, Series 1999B and Series 1999C Reserve Accounts.

Section 5.03. Bond Proceeds; Project Construction Accounts. All moneys received from the sale of the Series 1999A and Series 1999B Bonds shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in special accounts hereby now established and designated as "Town of Middlebourne Sewer Construction Account for Series 1999A Bonds" and "Town of Middlebourne Sewer Construction Account for Series 1999B Bonds" (collectively, the "Project Construction Accounts"). The moneys in the Project Construction Accounts in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Project Construction Accounts shall be expended by the Issuer solely for the purposes provided herein.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Accounts exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 5.03, money and funds in the Project Construction Accounts shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

Section 5.04. Deposit in the Refunding Fund. All of the Series 1999C Bonds Proceeds shall be deposited immediately in the Refunding Fund as hereinafter created for disbursement as provided herein. There is hereby created and ordered established with the Union Bank of Tyler County a trust fund to be designated "Town of Middlebourne Refunding Fund" (the "Refunding Fund"). Following the deposit into the Refunding Fund of the Series 1999C Bond Proceeds pursuant hereto, the Union Bank of Tyler County shall apply the moneys in the Refunding Fund to pay, together with other monies available therefor, the principal of and accrued interest on the 1973 Bond on the date to be refunded. Such funds shall be delivered to the Paying Agent to repay the 1973 Bond. All costs of issuance of the Series 1999C Bonds shall be paid from moneys in the Construction Fund upon receipt by the Union Bank of Tyler County of a requisition therefore signed by the Mayor of the Issuer.

Section 5.05. Covenants of the Issuer as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1999 Bonds Sinking Funds and the Reserve Accounts, the sums sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holders of the Bonds as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund" originally established under the 1973 Ordinance and which is hereby continued hereunder with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first each month deposit sufficient moneys from the Revenue Fund into the Operation and Maintenance Fund to pay all current Operating Expenses.

(2) (a) The Issuer shall next, each month, on or before the 27th day of each month, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1999A Bond (or such other place as may be provided pursuant to the Series 1999A Bond), the amount required to pay the interest on the Series 1999A Bond, and to amortize the principal of the Series 1999A Bonds over the life of the Series 1999A Bond. All payments with respect to principal of and interest on the Series 1999A Bonds shall be made first to interest and then to principal on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on a parity with the Series 1999B and 1999C Bonds. There is hereby continued a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Series 1999A Bonds and to amortize the principal of the Series 1999A Bond over the remaining life of the Series 1999A Bond. As long as the Government owns the Series 1999A Bonds, such deposits can be replaced by the remittances described above.

(2) (b) The Issuer shall, beginning on the date set forth in Exhibit B to the Series 1999B Bonds in order to provide debt service on the Series 1999B Bonds, deposit in the Series 1999B Sinking Fund one-third (1/3) of the interest payment next coming due on the Series 1999B Bonds and one-third (1/3) of the principal payment next coming due on the Series 1999B Bonds beginning three (3) months prior to the first date of payment of principal of the Series 1999B Bonds. All payments with respect to principal of and interest on the Series 1999B Bonds shall be made first to

interest and then to principal on an equal pro rata basis in accordance with the respective aggregate interest and principal amounts thereof outstanding and on a parity with the Series 1999A and 1999C Bonds. The Issuer shall submit payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. The Issuer shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

(2) (c) The Issuer shall, beginning on the date set forth in Exhibit B to the Series 1999C Bonds in order to provide debt service on the Series 1999C Bonds, deposit in the Series 1999C Sinking Fund one-sixth ( $1/6$ ) of the interest payment next coming due on the Series 1999C Bonds and one-sixth ( $1/6$ ) of the principal payment next coming due on the Series 1999C Bonds beginning six (6) months prior to the first date of payment of principal of the Series 1999C Bonds. All payments made with respect to principal of and interest on the Series 1999C Bonds shall be made first to principal and then to interest on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on a parity with the Series 1999A and 1999B Bonds. The Issuer shall submit payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Bank at such address as is given to the Commission in writing by the Bank. The Issuer shall instruct the Commission to notify the Bank of any monthly payments which are not received by the 20th day of the month in which the payment was due.

(3) (a) The Issuer shall next, on each date that payment is made as set forth in (2) (a) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Series 1999A Bonds Reserve Account .4167% of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Series 1999A Bonds in any year, until the amount in the Series 1999A Bonds Reserve Account equals such maximum amount (the "Series 1999A Bonds Reserve Requirement"). Such remittance shall be made on a pro rata basis with the Series 1999B and 1999C Bonds. After the Series 1999A Reserve Fund Requirement has been accumulated in the Series 1999A Bonds Reserve Account, the Issuer shall monthly deposit into the Series 1999A Bonds Reserve Account such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Series 1999A Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Series 1999A Bonds Reserve Requirement. Moneys in the Series 1999A Bonds Reserve Account shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Series 1999A Bonds as the same shall become due or for prepayment of installments on the Series 1999A Bonds, or for mandatory prepayment of the Series 1999A Bonds as hereinafter provided, and for no other purpose.

(3) (b) The Issuer shall next, on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Series 1999B Bonds, if

not fully funded upon issuance of the Series 1999B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit into the Series 1999B Bonds Reserve Account, an amount equal to 1/120 of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal which will become due on the Series 1999B Bonds in any year, until the amount in the Series 1999B Bonds Reserve Account equals such maximum amount (the "Series 1999B Bonds Reserve Requirement"); provided, that no further payments shall be made into the Series 1999B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1999B Bonds Reserve Requirement. Such remittance shall be made on a pro rata basis with the Series 1999A and 1999C Bonds. Moneys in the Series 1999B Bonds Reserve Account shall be used solely to make up any deficiency in quarterly payments of the principal of, interest, if any, and administrative fees owed on the Series 1999B Bonds as the same shall become due or for prepayment of installments on the Series 1999B Bonds, or for mandatory prepayment of the Series 1999B Bonds as hereinafter provided, and for no other purpose.

(3) (c) The Issuer shall next, on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Series 1999C Bonds, if not fully funded upon issuance of the Series 1999C Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit into the Series 1999C Bonds Reserve Account, an amount equal to 1/120 of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Series 1999C Bonds in any year, until the amount in the Series 1999C Bonds Reserve Account equals such maximum amount (the "Series 1999C Bonds Reserve Requirement"); provided, that no further payments shall be made into the Series 1999C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1999C Bonds Reserve Requirement. Such remittance shall be made on a pro rata basis with the Series 1999A and 1999B Bonds. Moneys in the Series 1999C Bonds Reserve Account shall be used solely to make up any deficiency in semiannual payments of the principal of and interest on the Series 1999C Bonds as the same shall become due or for prepayment of installments on the Series 1999C Bonds, or for mandatory prepayment of the Series 1999C Bonds as hereinafter provided, and for no other purpose.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account, and .4167% of the amount of the Series 1999A Bonds Reserve Requirement. After the Series 1999A Bonds Reserve Requirement has been met, the Issuer shall transfer each month from the Revenue Fund to the Renewal and Replacement Fund .8333% of the amount of the Series 1999A Bonds Reserve Requirement. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article

VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the respective Series 1999 Bond Reserve Accounts (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated, on a pro rata basis, amount, as of the date of calculation, equal to the maximum aggregate amounts of principal and interest which will become due on the Series 1999 Bonds in any year until the amounts in the Series 1999 Bonds Reserve Accounts equal such maximum amounts, with moneys from the Renewal and Replacement Fund.

With respect to the payments made by the Issuer under Section 5.04 (1) through (4) above which relate to the Series 1999B Bonds, the Issuer shall complete the Monthly Payment Form described in the Loan Agreement and submit a copy of said form and the check or checks representing such payments to the Authority by the 5th day of such calendar month.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Moneys in the respective Series 1999 Bonds Sinking Funds shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the respective Series 1999 Reserve Accounts shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall come due, when other moneys in the attendant Series 1999 Bonds Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1999 Bonds Sinking Funds and Series 1999 Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during acquisition, construction and equipping of the Project, be deposited in the Construction Trust Fund, and following completion of acquisition, construction and equipping of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the respective Series 1999 Reserve Accounts which result in a reduction in the balance of the Series 1999 Reserve Accounts to below the Series 1999 Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the respective Series 1999 Bonds Sinking Funds for payment of debt service on the Bonds.

As and when additional bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in

the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Funds or into the Series 1999 Reserve Accounts therein when the aggregate amount of funds in said Series 1999 Bonds Sinking Funds and Series 1999 Reserve Accounts are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Ordinance then Outstanding and all interest to accrue until the maturity thereof.

The payments into the Series 1999 Bonds Sinking Funds 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. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

Moneys in the Series 1999 Reserve Accounts shall be invested and reinvested by the Depository Bank or the Commission in accordance with Section 8.01 hereof.

The respective Series 1999 Bonds Sinking Funds, including the respective Series 1999 Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 1999B and Series 1999C Bonds Sinking Funds and the corresponding Reserve Accounts, and the Depository Bank is hereby designated as the Fiscal Agent for the administration of the other accounts, herein provided, and all amounts required for the Reserve Accounts and the other accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the interest thereon, but the Commission and the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Accounts and the Depreciation Fund, respectively, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Ordinance shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

(C) Change of Depository Agent and Fiscal Agent. The Issuer may designate another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the aforesaid Bank should cease for any reason to serve or if the Governing Body determines by ordinance that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be 446 bona fide users of the proposed System when the extension of the System is completed and placed in operation and must obtain user agreements and the user contribution from each new user and deposit in the Project Construction Accounts all such new user contributions collected.

(E) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent and the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission, the Registrar, the Paying Agent and the Depository Bank then due. The Issuer shall also remit from the Revenue Fund to the Commission on the 1st day of each month the SRF Administrative Fee.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) Remittances. All remittances made by the Issuer to the Commission and to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited. If requested in writing by RUS and the Authority and DEP, all remittances may be made by electronic transfer or automatic debit.

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

Section 5.06. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the respective Series 1999 Bonds Reserve Accounts, or as instructed by the Authority, DEP and RUS.

## ARTICLE VI

### BOND PROCEEDS; DISBURSEMENTS

Section 6.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. The amount of the proceeds which together with the earnings thereon shall be at least sufficient to pay capitalized interest on the Series 1999A Bonds shall be deposited in the Series 1999A Bonds Sinking Funds; provided, that such period may not exceed beyond the date which is six (6) months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Bonds, there shall be deposited with the Commission in the Series 1999 Reserve Accounts the sums, if any, required hereunder for funding the Series 1999 Reserve Accounts.

C. The remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer as received from time to time in the respective Project Construction Accounts established hereunder.

D. The Depository Bank shall comply with all requirements with respect to the disposition of the Project Construction Accounts set forth in this Ordinance. Moneys in the Project Construction Accounts shall be used solely to pay Costs of the Project and, until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Series 1999A Bond Proceeds; Project Construction Account. All moneys received from the sale of the Series 1999A Bonds shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in the Town of Middlebourne Sewer Construction Account for Series 1999A Bonds. The moneys in the Series 1999A Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Series 1999A Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Series 1999A Project Construction Account and pay to RUS on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Series 1999A Bonds if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Series 1999A Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 6.02, money and funds in the Series 1999A Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 1999A Project Construction Account shall be disposed of in accordance with the regulations of RUS.

Section 6.03. Disbursements from the Series 1999B Project Construction Account. Payments for Costs of the Project shall be made monthly.

On or before the Closing Date, the Issuer shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Series 1999B Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1999B Project Construction Account shall be made only after submission to and approval from the Authority and DEP of the following:

(1) a completed and signed "Payment Requisition Form," the form of which is attached to the Loan Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Series 1999B Project Construction Account only the net amount remaining after deduction of any such portion. All payments made from the Series 1999B Project Construction Account shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 1999B Project Construction Account. The Consulting Engineers shall

from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application and until disbursed, moneys in the Series 1999B Project Construction Account, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, any balance remaining in the Series 1999B Project Construction Account shall be placed in the Series 1999B Bonds Reserve Account or otherwise applied as directed by the Authority and DEP.

## ARTICLE VII

### GENERAL COVENANTS

Section 7.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Accounts sums sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith by a lien on the Net Revenues derived from the operation of the System collected by the Issuer and authorized by a Recommended Decision of the Public Service Commission of West Virginia in Case No. 98-0466-S-CN, dated September 29, 1998, which became a Final Order on October 19, 1998, as amended by a Commission Order dated August \_\_, 1999. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Series 1999 Bonds Sinking Funds, including the Series 1999 Reserve Accounts therein, and all other payments provided for in the Ordinance are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Ordinance.

Section 7.04. Rates. Prior to issuance of the bonds, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or 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 with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever

necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds; provided that, in the event that amounts at least equal to or in excess of the Reserve Requirements are on deposit in the Series 1999 Bonds Reserve Accounts and the Reserve Accounts for the Bonds are funded at least at the requirement provided for in the Ordinance, such balances each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amounts required in any succeeding Fiscal year for payment of principal of and interest on the Bonds.

Section 7.05 Completion, Operation and Maintenance; Schedule of Costs. The Issuer will expeditiously complete the Project 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 of renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Ordinance.

Section 7.06. Sale of the System. 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 Outstanding Bonds and effectively defease this Ordinance in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 1999 Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by ordinance, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such

sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by ordinance duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of RUS, the Authority and DEP, be remitted by the Issuer to the Commission for deposit in the Series 1999 Bonds Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds, on a prorata basis. Such payment of such proceeds into the Series 1999 Bonds Sinking Funds or the Depreciation Fund shall not reduce the amounts 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 Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of DEP and the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by DEP and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Additional Parity Bonds or Obligations. Except as provided in this Section 7.07 and in Section 7.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1999 Reserve Accounts and the Depreciation Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Ordinance, or upon the System or any part thereof. The Issuer will give prior written notice to the Authority and DEP before the issuance of any other obligations to be used for the Project which are payable from System revenues or grants for the Project.

Section 7.08. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bonds issued pursuant to this Ordinance, except under the conditions and in the manner herein provided. No Parity Bonds shall be issued without the prior

written consent of RUS, the Authority and DEP.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 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 fifteen percent (115%) of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the 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 (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 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 adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

All 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 Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created or continued 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.

All Parity Bonds shall mature on the day of the years of maturities, and the interest thereon shall be payable on the days of each year, specified herein or in a separate 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 liens of the Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, 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.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance with respect to 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 such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

B. Notwithstanding the foregoing, the Issuer 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 RUS, the Authority and DEP and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to another ordinance solely to complete the Project as described in the Issuer's application to the Authority and DEP 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, construction and equipping of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Recorder a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the acquisition, construction and equipping costs to complete the Project,

and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority and DEP.

Section 7.09. Books, Records and Facilities. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and DEP and any Holder of a Bond or Bonds issued 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 Issuer relating thereto.

The Issuer shall keep complete and accurate records of the costs of acquisition, construction and equipping the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit the Authority, or its agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loans or any grants or other sources of financing for the Project.

The Issuer shall permit RUS, the Authority and DEP, or their agents and representatives, to inspect all records pertaining to the acquisition, construction and equipping and operation of the System at all reasonable times following completion of acquisition, construction and equipping of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

The Issuer shall file with the Consulting Engineers, DEP and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

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

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

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants, in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, if legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to DEP and the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Ordinance and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

The Issuer shall also, during acquisition, construction and equipping of the Project and for two (2) years following the completion of the Project, complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and made a part hereof, and forward a copy by the 15th of each month to the Authority and DEP.

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

The Issuer shall permit the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of acquisition, construction and equipping of the Project, the Issuer shall also provide the Authority, or its agents and representatives, with access to the plans, drawings, specifications, System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

Section 7.10. Compliance With Loan Agreement, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, DEP or other State, federal or local bodies in regard to the acquisition, construction and equipping and construction of the Project and operation, maintenance and use of the System.

Section 7.11. Insurance and Bond. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Real Property Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In

the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the Town Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of one hundred percent (100%) of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of Tyler County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation insurance will be maintained as required by the laws of the State of West Virginia.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and every officer and employee of the Town having custody of the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding loans.

(f) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 7.12. Statutory Mortgage. For the further protection of the holders of the Series 1999A, 1999B and 1999C Bonds, a statutory mortgage lien upon the System is granted and

created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Series 1999A, 1999B and 1999C Bonds on a pro rata basis.

Section 7.13. Fiscal Year; Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each fiscal year, the Issuer agrees to adopt an Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted an Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of an Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 7.14. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 7.15. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of adoption hereof, subject to permitted changes.

Upon completion of the Project, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the DEP Revolving Fund Program application, setting forth actual costs of the Project and sources of funds therefor.

Section 7.16. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall also, at least one a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to the Holder or Holders and shall submit said report to the Holder or Holders and the Authority. Such audit report submitted to the Holder or Holders and the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Ordinance and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Section 7.17. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the acquisition, construction and equipping of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and drawings prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans and specifications and acquisition, construction and equipping, or amendments thereto, approved by all necessary governmental bodies.

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

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

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

Section 7.18. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

**Section 7.19. Tax Covenants as to Tax Exempt Status of Bonds.**

1. The Issuer covenants that (a) it shall not permit or cause to be done any act or thing which would result in the loss of exemption from tax of interest on the Bonds under Section 103(a) of the Internal Revenue Code and the regulations thereunder, or under any successor or similar provision of the Internal Revenue Code hereinafter enacted and applicable to the Bonds and regulations thereunder; (b) it shall not invest or otherwise use or permit or cause to be invested or used, any of the proceeds of the Bonds, or moneys deemed to be proceeds of the Bonds under the Internal Revenue Code, directly or indirectly, in any manner which would result in such Bonds being classified as an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Service Code or regulations thereunder, and each shall comply with the requirements of such Section and (c) no part of the proceeds of the Bonds or any funds held under the Ordinance shall at any time be used directly or indirectly for any purpose for which would cause the Bonds to be subject to treatment as a "private activity bond" under the Internal Revenue Code or regulations thereunder and to that end the Issuer will comply with the applicable law as long as the Bonds are outstanding.

2. The Issuer hereby further covenants and agrees as follows:

A. **PRIVATE BUSINESS USE LIMITATION.** The Issuer shall assure that (i) not in excess of ten percent (10%) of the Net Proceeds of the Bonds are used for private business use if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a private business use, and that (ii) in the event that both (A) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a private business use, and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said private business use or in payments in respect of property used or to be used for the Issuer, in respect of property or borrowed money used or to be used for said private business use, then said excess over said five percent (5%) of Net Proceeds of the Bonds used for a private business use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such private business use is related.

B. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. **FURTHER ACTIONS.** The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Holders) 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 those determined by the Holders) which would adversely affect such exclusion.

Section 7.20. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State.

Whenever any fees, rates, rentals or other 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 the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia. Rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.21. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.22. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a thirty (30) day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction, provided that Issuer gives no assurance of compliance with these requirements for parties outside the limits of the Issuer.

Section 7.23. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all applicable laws, rules and regulations issued by DEP, 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.

The Issuer will obtain all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System with the appeal periods having expired without successful appeal.

Section 7.24. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.25. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the acquisition, construction and equipping and financing of the Project and operation of the System, and the Authority and DEP shall receive an opinion of counsel to the Issuer to such effect.

## ARTICLE VIII

### INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Section 8.02 and 8.03.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own trust department and shall not be responsible for any losses from such investments, other than for their own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are outstanding.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal Information Return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer 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 tax matters as a condition to issuance of the Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the 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 Issuer shall submit to the Authority within fifteen (15) days following the end of each Bond Year a certified copy of its qualification for the small governmental issue exception to rebate, or any other exception thereto, and the Issuer 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 Bonds subject to rebate. The Issuer shall furnish to the Authority such information with respect to earnings on all moneys constituting "Gross Proceeds" of the Bonds (as such term is defined in the Code) from time to time as the Authority may request.

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

## ARTICLE IV

### DEFAULT AND REMEDIES

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

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Ordinance, or the Loan Agreement, any Supplemental Resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or the Holder or Holders; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his, her or its rights and, in particular, (i) bring suit for any past due and unpaid principal or interest, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Ordinance relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Outstanding Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Outstanding Bonds, and (v) by action or bill in equity

enjoin any acts in violation of this Ordinance with respect to the Outstanding Bonds, or the rights of such Registered Owners on a parity basis.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Ordinance and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this 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 Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bond. 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 Issuer and Registered Owner of the Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or

decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

## ARTICLE X

### DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and 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 Bonds only the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

## ARTICLE XI

### RATES, RULES, COVENANTS, ETC.

Section 11.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System

shall be as set forth in a Tariff on file with the Public Service Commission effective August 15, 1998, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby ratifies a Rate Ordinance enacted on June 22, 1998, which sets forth the rates and charges as set out in the above-referenced order and included on the tariff sheet filed with the Public Service Commission.

#### Section 11.02. Further Covenants

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any sewer bill from a customer served with water and sewer services by the Issuer without payment at the same time of a water bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

## ARTICLE XII

### MISCELLANEOUS

Section 12.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bonds, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of West Virginia and of the Clerk of the County

Commission of Tyler County.

Section 12.02. Delivery of Bonds. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Series 1999 Bonds, numbered AR-1, BR-1 and CR-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 12.03. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 12.04. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bonds so affected and then Outstanding and DEP and the Authority; provided, that no change shall be made in the maturity of any Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owners thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Ordinance may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code as may be necessary to assure the excludability of interest on the Bonds from gross income of the holders thereof.

Section 12.05. Ordinance Constitutes Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the Registered Owners of the Bonds, and no change, variation or alteration of any kind of the provisions of this Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 12.06. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed, including the 1973 Bond Ordinance which is repealed upon issuance of the Series 1999C Bonds.

Section 12.07. 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 12.08. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption 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 applicable thereto; and that the Mayor, Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 12.09. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 12.10. Effective Time. This Ordinance shall take effect immediately upon its adoption and after the public hearing.

Section 12.11 Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the Town of Middlebourne, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Town Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading - August 5, 1999.

Passed on Second Reading - August 12, 1999.

Effective following  
Public Hearing - August 26, 1999.

TOWN OF MIDDLEBOURNE

By: Gayla Fisher  
Mayor

[SEAL]

Attest:

By: Jamie Binman  
Acting Recorder

## CERTIFICATION

I, Janice Bonner, Acting Recorder of the Town of Middlebourne, hereby certify that the foregoing is a true and correct copy of an Ordinance approved at meetings of the Town Council of the Town of Middlebourne held on August 5 and August 12, 1999 and following a public hearing held on August 26, 1999. I further hereby certify that the action of said Town Council set forth therein remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 27th day of August 1999.

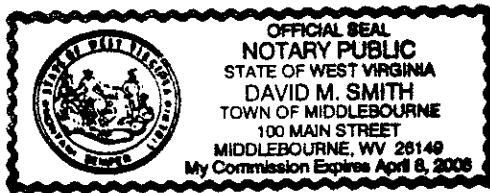
  
\_\_\_\_\_  
Acting Recorder

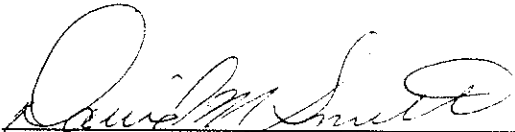
STATE OF WEST VIRGINIA,

COUNTY OF TYLER, to-wit:

The foregoing instrument was acknowledged before me this 27 day of August, 1999, by Gayla S. Fisher, the Mayor of the Town of Middlebourne, a municipal corporation and a political subdivision of the State of West Virginia, on behalf of said municipality.

My commission expires Apr 7, 2008.



  
NOTARY PUBLIC

LOAN AGREEMENT

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

TOWN OF MIDDLEBOURNE  
\_\_\_\_\_  
(Local Government)

W I T N E S S E T H:

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

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

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

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

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

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

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

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

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

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

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

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

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

## ARTICLE I

### Definitions

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### The Project and the System

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

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

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

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

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

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

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

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

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

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

### ARTICLE III

#### Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

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

#### ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

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

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

(b) Covenants substantially as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xvi) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

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

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

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

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will

not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Local Government, then the Local Government shall enter into a termination agreement with the water provider.

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

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

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

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

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

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

## ARTICLE V

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

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

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

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

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

## ARTICLE VI

### Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by local governments in the terms and covenants of loan agreements, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

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

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

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

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

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

## ARTICLE VII

### Miscellaneous

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

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

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

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

7.5 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.

7.6 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Local Government 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.

7.7 This Loan Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP;

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

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the amount of the Loan made by the Authority and DEP as set forth in (iii) above is not terminated due to such non-funding on any balance on the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default under the Loan Agreement.

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 Middlebourne

[Proper Name of Local Government]

(SEAL)

By: Charles Fisher  
Its: Mayor

Attest:

Date: Aug 6, 1999

Beth C. Fourn  
Its Recorder

WEST VIRGINIA DIVISION OF  
ENVIRONMENTAL PROTECTION

By: Barbara Baker  
Its: Chief

Date: 8/11/99

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By: David R. Lyubarsky  
Its: Director

Attest:

Date: August 4, 1999

Barbara B. Meadows  
Secretary-Treasurer

## EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

## EXHIBIT B

[Form of Monthly Financial Report]

[Name of Local Government]

[Name of Bond Issue]

Fiscal Year - \_\_\_\_

Report Month: \_\_\_\_\_

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

Witnesseth my signature this \_\_\_\_ day of \_\_\_\_, \_\_\_\_.

[Name of Local Government]

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

\_\_\_\_\_  
(Issuer)

\_\_\_\_\_  
(Name of Bonds)

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

1. The Bonds are being issued for the purpose of

\_\_\_\_\_  
(the "Project").

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

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

WITNESS my signature on this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_.

\_\_\_\_\_

By \_\_\_\_\_

West Virginia License No. \_\_\_\_

[SEAL]

## EXHIBIT E

### SPECIAL CONDITIONS

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

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - The loan recipient that receives \$300,000 or more in a fiscal year must obtain audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 or any appropriate successor. Financial statement audits are required once all funds have been received by the loan recipient.

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development  
Authority  
180 Association Drive  
Charleston WV 25311-1571

Re: [Name of bond issue]

Dear Sirs:

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

Sinking Fund:

Interest \$\_\_\_\_\_

Principal \$\_\_\_\_\_

Total: \$\_\_\_\_\_

Reserve Fund: \$\_\_\_\_\_

Witness my signature this \_\_\_\_ day of\_\_\_\_\_.

[Name of Local Government]

By: \_\_\_\_\_  
Authorized Officer

Enclosure: copy of check(s)

## EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
180 Association Drive  
Charleston WV 25311-1571

Gentlemen:

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

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

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

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

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond \_\_\_\_\_ duly enacted by the Local Government on \_\_\_\_\_ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

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

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

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

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

Very truly yours,

## SCHEDULE X

### DESCRIPTION OF BONDS

|                           |            |
|---------------------------|------------|
| Principal Amount of Bonds | \$ 375,000 |
| Purchase Price of Bonds   | \$ 375,000 |

Interest on the Bonds shall be zero percent from the date of delivery to and including August 31, 2000. Principal and interest on the Bonds is payable quarterly, commencing Dec. 1, 2000, at a rate of 2 % per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has [other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds] or [provide list of outstanding debt]. (~~See attached schedule~~)

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

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

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

SCHEDULE Y

**Town of Middlebourne (West Virginia)**  
*Loan Amount of \$375,000*  
*20 Years, 2% Interest Rate, 1% Administrative Fee*  
*Closing Date: August 27, 1999*

**DEBT SERVICE SCHEDULE**

| Date       | Principal | Coupon | Interest | Total P+I |
|------------|-----------|--------|----------|-----------|
| 9/01/1999  | -         | -      | -        | -         |
| 12/01/1999 | -         | -      | -        | -         |
| 3/01/2000  | -         | -      | -        | -         |
| 6/01/2000  | -         | -      | -        | -         |
| 9/01/2000  | -         | -      | -        | -         |
| 12/01/2000 | 3,824.00  | 2.000% | 1,875.00 | 5,699.00  |
| 3/01/2001  | 3,843.00  | 2.000% | 1,855.88 | 5,698.88  |
| 6/01/2001  | 3,862.00  | 2.000% | 1,836.67 | 5,698.67  |
| 9/01/2001  | 3,881.00  | 2.000% | 1,817.36 | 5,698.36  |
| 12/01/2001 | 3,901.00  | 2.000% | 1,797.95 | 5,698.95  |
| 3/01/2002  | 3,920.00  | 2.000% | 1,778.45 | 5,698.45  |
| 6/01/2002  | 3,940.00  | 2.000% | 1,758.85 | 5,698.85  |
| 9/01/2002  | 3,960.00  | 2.000% | 1,739.15 | 5,699.15  |
| 12/01/2002 | 3,980.00  | 2.000% | 1,719.35 | 5,699.35  |
| 3/01/2003  | 3,999.00  | 2.000% | 1,699.45 | 5,698.45  |
| 6/01/2003  | 4,019.00  | 2.000% | 1,679.45 | 5,698.45  |
| 9/01/2003  | 4,040.00  | 2.000% | 1,659.36 | 5,699.36  |
| 12/01/2003 | 4,060.00  | 2.000% | 1,639.16 | 5,699.16  |
| 3/01/2004  | 4,080.00  | 2.000% | 1,618.86 | 5,698.86  |
| 6/01/2004  | 4,100.00  | 2.000% | 1,598.46 | 5,698.46  |
| 9/01/2004  | 4,121.00  | 2.000% | 1,577.96 | 5,698.96  |
| 12/01/2004 | 4,142.00  | 2.000% | 1,557.35 | 5,699.35  |
| 3/01/2005  | 4,162.00  | 2.000% | 1,536.64 | 5,698.64  |
| 6/01/2005  | 4,183.00  | 2.000% | 1,515.83 | 5,698.83  |
| 9/01/2005  | 4,204.00  | 2.000% | 1,494.92 | 5,698.92  |
| 12/01/2005 | 4,225.00  | 2.000% | 1,473.90 | 5,698.90  |
| 3/01/2006  | 4,246.00  | 2.000% | 1,452.77 | 5,698.77  |
| 6/01/2006  | 4,267.00  | 2.000% | 1,431.54 | 5,698.54  |
| 9/01/2006  | 4,289.00  | 2.000% | 1,410.21 | 5,699.21  |
| 12/01/2006 | 4,310.00  | 2.000% | 1,388.76 | 5,698.76  |
| 3/01/2007  | 4,332.00  | 2.000% | 1,367.21 | 5,699.21  |
| 6/01/2007  | 4,353.00  | 2.000% | 1,345.55 | 5,698.55  |
| 9/01/2007  | 4,375.00  | 2.000% | 1,323.79 | 5,698.79  |
| 12/01/2007 | 4,397.00  | 2.000% | 1,301.91 | 5,698.91  |
| 3/01/2008  | 4,419.00  | 2.000% | 1,279.93 | 5,698.93  |
| 6/01/2008  | 4,441.00  | 2.000% | 1,257.83 | 5,698.83  |
| 9/01/2008  | 4,463.00  | 2.000% | 1,235.63 | 5,698.63  |
| 12/01/2008 | 4,486.00  | 2.000% | 1,213.31 | 5,699.31  |
| 3/01/2009  | 4,508.00  | 2.000% | 1,190.88 | 5,698.88  |
| 6/01/2009  | 4,531.00  | 2.000% | 1,168.34 | 5,699.34  |
| 9/01/2009  | 4,553.00  | 2.000% | 1,145.69 | 5,698.69  |
| 12/01/2009 | 4,576.00  | 2.000% | 1,122.92 | 5,698.92  |
| 3/01/2010  | 4,599.00  | 2.000% | 1,100.04 | 5,699.04  |
| 6/01/2010  | 4,622.00  | 2.000% | 1,077.05 | 5,699.05  |
| 9/01/2010  | 4,645.00  | 2.000% | 1,053.94 | 5,698.94  |
| 12/01/2010 | 4,668.00  | 2.000% | 1,030.71 | 5,698.71  |
| 3/01/2011  | 4,691.00  | 2.000% | 1,007.37 | 5,698.37  |

**Town of Middlebourne (West Virginia)**  
*Loan Amount of \$375,000*  
*20 Years, 2% Interest Rate, 1% Administrative Fee*  
*Closing Date: August 27, 1999*

**DEBT SERVICE SCHEDULE**

| Date         | Principal         | Coupon   | Interest         | Total P+I           |
|--------------|-------------------|----------|------------------|---------------------|
| 6/01/2011    | 4,715.00          | 2.000%   | 983.92           | 5,698.92            |
| 9/01/2011    | 4,739.00          | 2.000%   | 960.34           | 5,699.34            |
| 12/01/2011   | 4,762.00          | 2.000%   | 936.65           | 5,698.65            |
| 3/01/2012    | 4,786.00          | 2.000%   | 912.84           | 5,698.84            |
| 6/01/2012    | 4,810.00          | 2.000%   | 888.91           | 5,698.91            |
| 9/01/2012    | 4,834.00          | 2.000%   | 864.86           | 5,698.86            |
| 12/01/2012   | 4,858.00          | 2.000%   | 840.69           | 5,698.69            |
| 3/01/2013    | 4,882.00          | 2.000%   | 816.40           | 5,698.40            |
| 6/01/2013    | 4,907.00          | 2.000%   | 791.99           | 5,698.99            |
| 9/01/2013    | 4,931.00          | 2.000%   | 767.45           | 5,698.45            |
| 12/01/2013   | 4,956.00          | 2.000%   | 742.80           | 5,698.80            |
| 3/01/2014    | 4,981.00          | 2.000%   | 718.02           | 5,699.02            |
| 6/01/2014    | 5,006.00          | 2.000%   | 693.11           | 5,699.11            |
| 9/01/2014    | 5,031.00          | 2.000%   | 668.08           | 5,699.08            |
| 12/01/2014   | 5,056.00          | 2.000%   | 642.93           | 5,698.93            |
| 3/01/2015    | 5,081.00          | 2.000%   | 617.65           | 5,698.65            |
| 6/01/2015    | 5,107.00          | 2.000%   | 592.24           | 5,699.24            |
| 9/01/2015    | 5,132.00          | 2.000%   | 566.71           | 5,698.71            |
| 12/01/2015   | 5,158.00          | 2.000%   | 541.05           | 5,699.05            |
| 3/01/2016    | 5,184.00          | 2.000%   | 515.26           | 5,699.26            |
| 6/01/2016    | 5,210.00          | 2.000%   | 489.34           | 5,699.34            |
| 9/01/2016    | 5,236.00          | 2.000%   | 463.29           | 5,699.29            |
| 12/01/2016   | 5,262.00          | 2.000%   | 437.11           | 5,699.11            |
| 3/01/2017    | 5,288.00          | 2.000%   | 410.80           | 5,698.80            |
| 6/01/2017    | 5,315.00          | 2.000%   | 384.36           | 5,699.36            |
| 9/01/2017    | 5,341.00          | 2.000%   | 357.78           | 5,698.78            |
| 12/01/2017   | 5,368.00          | 2.000%   | 331.08           | 5,699.08            |
| 3/01/2018    | 5,395.00          | 2.000%   | 304.24           | 5,699.24            |
| 6/01/2018    | 5,422.00          | 2.000%   | 277.26           | 5,699.26            |
| 9/01/2018    | 5,449.00          | 2.000%   | 250.15           | 5,699.15            |
| 12/01/2018   | 5,476.00          | 2.000%   | 222.91           | 5,698.91            |
| 3/01/2019    | 5,503.00          | 2.000%   | 195.53           | 5,698.53            |
| 6/01/2019    | 5,531.00          | 2.000%   | 168.01           | 5,699.01            |
| 9/01/2019    | 5,558.00          | 2.000%   | 140.36           | 5,698.36            |
| 12/01/2019   | 5,586.00          | 2.000%   | 112.57           | 5,698.57            |
| 3/01/2020    | 5,614.00          | 2.000%   | 84.64            | 5,698.64            |
| 6/01/2020    | 5,642.00          | 2.000%   | 56.57            | 5,698.57            |
| 9/01/2020    | 5,671.00          | 2.000%   | 28.36            | 5,699.36            |
| <b>Total</b> | <b>375,000.00</b> | <b>-</b> | <b>80,911.64</b> | <b>455,911.64 *</b> |

\*Plus one-percent administrative fee of \$505.70 paid quarterly. Total fee paid over the life of the loan is \$40,456.

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(RURAL UTILITIES SERVICE),  
SERIES 1999A,

\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND)  
SERIES 1999B and

\$120,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BONDS  
(UNION BANK OF TYLER COUNTY)  
SERIES 1999C

#### GENERAL CERTIFICATE

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES
6. INCUMBENCY AND OFFICIAL NAME
7. LOAN AGREEMENT
8. LAND AND RIGHTS-OF-WAY
9. MEETINGS
10. INSURANCE
11. RATES
12. TRUTH AND ACCURACY
13. SPECIMEN BONDS
14. BOND PROCEEDS
15. PRIVATE USE OF FACILITIES
16. NO FEDERAL GUARANTY
17. IRS INFORMATION RETURN
18. CONFLICT OF INTEREST
19. CLEAN WATER ACT
20. COUNTERPARTS

We, the undersigned MAYOR and the undersigned ACTING RECORDER of THE TOWN OF MIDDLEBOURNE, Tyler County, West Virginia (the "Town"), and the undersigned ATTORNEY for said Town, hereby certify in connection with the Town of Middlebourne, West Virginia, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, in the aggregate principal amounts of \$800,000, \$375,000 and \$120,000, respectively, numbered AR-1, BR-1 and CR-1, dated the date hereof and bearing interest at the rates of four and

75/100 percent (4.75%) as to the Series 1999A Bonds, two percent (2%) plus a one percent (1%) administrative fee as to the Series 1999B Bonds, and five percent (5%) as to the Series 1999C Bonds, per annum (collectively, the "Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as in the Ordinance enacted and adopted by the Council of the Town (the "Council") and effective on August 26, 1999 (the "Ordinance"), in the Letter of Conditions (the "Letter of Conditions") from the United States Department of Agriculture, Rural Utilities Service ("RUS") dated January 26, 1996, to the Town, as to the Series 1999A Bonds, in the Loan Agreement (the "Loan Agreement") entered into among the Town, the Division of Environmental Protection ("DEP") and the West Virginia Water Development Authority (the "Authority"), dated August 11, 1999, as to the Series 1999B Bonds, and in the undated letter from the Union Bank of Tyler County (the "Bank") to the Town, as to the Series 1999C Bonds.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting the issuance and delivery of the Bond; nor questioning the proceedings and authority by which the Council authorized the issuance and sale of the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof, including, but not limited to the pledge of Net Revenues of the System for such payment; nor questioning the existence of the Town or the title of the members or officers of the Town, the Town Council or the Sanitary Board to their respective offices; nor questioning the construction of certain additions, betterments and improvements to the sewer system facilities of the Town (the "System"), which is being financed, in part, out of the proceeds of sale of the Bonds.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable approvals and certificates required by law for the acquisition, construction and equipping of the Project, the operation of the System and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect including approval by the Public Service Commission of West Virginia. Competitive bids for construction of the Project have been solicited in accordance with West Virginia law.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Town or the System since the Town's receipt of the Letter of Conditions and the approval, execution and delivery by the Town of the Loan Agreement. There has been no adverse change in the financial condition of the Town or the System since the approval by the Authority and DEP of a loan to assist in the acquisition, construction and equipping of the Project.

5. **SIGNATURES:** The undersigned MAYOR and ACTING RECORDER are the duly elected, qualified and serving officers as indicated by the official titles opposite their signatures below, are duly authorized to execute and seal the Bonds for the Town, and on the date hereof have signed and sealed the Bonds for the Town. The seal appearing hereon and on the Bonds is the only official seal of the Town.

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Town is "Town of Middlebourne", and it is a municipal corporation of the State of West Virginia in Tyler County of said State. The governing body of the Town is the Mayor, Recorder, Acting Recorder and its Council consisting of five (5) Council Members, whose names, terms and offices are as follows:

| <u>Name</u>     | <u>Date of Termination<br/>of Office</u> | <u>Office</u>                      |
|-----------------|------------------------------------------|------------------------------------|
| Gayla S. Fisher | June 30, 2001                            | Mayor                              |
| Beth Frum       | June 30, 2001                            | Recorder                           |
| Janice Bonner   | June 30, 2001                            | Council Member and Acting Recorder |
| Pam Farhatt     | June 30, 2001                            | Council Member                     |
| Vera Henthorn   | June 30, 2001                            | Council Member                     |
| Jeff McKinney   | June 30, 2001                            | Council Member                     |
| Phil Yoho       | June 30, 2001                            | Council Member                     |

The duly appointed and acting Attorney for the Town is Gary Rymer, Middlebourne, West Virginia.

7. LOAN AGREEMENT: As of the date hereof, (i) representations of the Town contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Town has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information contained therein not misleading; and (iv) the Town ratifies and reaffirms all the covenants made in the Loan Agreement as if they were specifically set forth herein.

8. LAND AND RIGHTS-OF-WAY: All land and all rights-of-way and easements necessary for the construction, operation and maintenance of this System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Town and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Town to pay for the same without jeopardizing the security of or payments on the Bond.

9. MEETINGS: All actions, ordinances, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Town in any way connected with the design, construction, acquisition and financing of the Project and the operation of the System were authorized or adopted at meetings of the Council duly called and held pursuant to all applicable statutes and the customary procedure of Council, and a quorum of duly appointed, qualified and acting members of the

Council was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

10. **INSURANCE:** The Town will maintain or, as appropriate, will require all contractors to maintain Workers' Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Letter of Conditions, the Loan Agreement and the Ordinance.

11. **RATES:** Based upon information submitted by the Engineers and an independent Certified Public Accountant, the rates and charges for the System which were duly adopted and became effective on June 22, 1998, and remain in full force and effect, will, so long as the Bonds are outstanding, provide Net Revenues sufficient to pay (a) the interest upon the 1999 Bonds on a parity basis, (b) the necessary fiscal agency charges, (c) the principal amount of the 1999 at or before their maturity, (d) a margin of safety or reserve for such Bonds and for the payment into the reserve accounts created on account of the Bonds, and (e) meet the requirements set forth in the Letter of Conditions and in the Loan Agreement.

12. **TRUTH AND ACCURACY:** As of the date hereof, Gayla S. Fisher, Mayor, and Beth Frum, Recorder, hereby certify that the copies of documents previously or on the date hereof certified by them as being true and accurate are true and accurate as of the date hereof and that none of such documents have been repealed, rescinded, amended or otherwise modified.

13. **SPECIMEN BONDS:** Attached hereto as Exhibit A are specimens of the Series 1999A, Series 1999B and Series 1999C Bonds which, except as to execution and authentication, are identical in all respects with such Bonds this day delivered to RUS, to the Authority and to the Bank and being substantially in the form prescribed in the Ordinance.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received \$800,000.00 from RUS, \$18,750.00 from the Authority and DEP, being a portion of the principal amount of the Series 1999B Bonds and more than a de minimis amount of the proceeds of the Series 1999B Bonds, and \$120,000 from the Bank to refund and defease the Sewer Revenue Bond, Series 1973. The balance of the principal amount of the Series 1999B Bonds will be advanced to the Town as construction of the Project progresses.

15. **PRIVATE USE OF FACILITIES:** The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than ten percent (10%) of the proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than ten percent (10%) of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the

payment of principal on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person, including related persons, other than a governmental unit or other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder (the "Code").

16. NO FEDERAL GUARANTY: The Bonds are not and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

17. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

18. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Ordinance, and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than five percent (5%) of the particular business enterprise or contract.

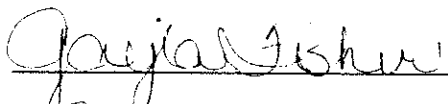
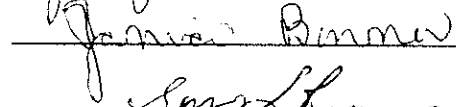
19. CLEAN WATER ACT: The project as described in the Ordinance complies with Sections 208 and 303(e) of the Clean Water Act.

20. COUNTERPARTS: This Certificate may be executed in counterpart, and such parts shall be deemed to be the Certificate.

WITNESS our signatures and the official seal of the Town of Middlebourne on the 27th day of August, 1999.

SIGNATURE

OFFICIAL TITLE


Mayor

Acting Recorder

Town Attorney

Exhibit A

(Specimen Bonds)  
(See Tab No. 40)

THE TOWN OF MIDDLEBOURNE, WEST VIRGINIA

NON-ARBITRAGE CERTIFICATE

I, Gayla S. Fisher, Mayor of the Town of Middlebourne, West Virginia (the "Town"), being one of the officials of the Town duly charged with the responsibility for the issuance of \$375,000 aggregate principal amount of Sewer Revenue Bonds (State Revolving Fund), Series 1999B and \$120,000 aggregate principal amount of Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, of the Town, dated August 27, 1999 (collectively, 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 the 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 August 27, 1999, 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 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 an "arbitrage bond" within the meaning of the Code.

6. The Bonds were sold on August 27, 1999, to the West Virginia Water Development Authority (the "Authority") and the Union Bank of Tyler County (the "Bank") for aggregate purchase prices of \$375,000 and \$120,000, respectively (100% of par) pursuant to the Loan Agreement among the Authority, the West Virginia Division of Environmental Protection and the Town dated August 11, 1999, and the undated letter from the Bank to the Town. At closing, \$18,750.00, being more than a de minimus amount, was advanced by the Authority to the Town with the balance to follow as construction of the project proceeds, and \$120,000 was paid by the Bank to the Town to refund certain existing indebtedness.

7. The Bonds is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying costs, not otherwise provided, of constructing certain additions, betterments and improvements to the sewer facilities of the Town (the "Project"); (ii) refunding those certain Sewer Revenue Bonds, Series 1973, dated January 1, 1973 (the "Prior Bonds"); and (iii) paying costs of issuance and other costs in connection therewith.

8. The total cost of the Project is estimated at \$3,014,300. Sources and uses of funds for the Project are as follows:

SOURCES

|                    |                    |
|--------------------|--------------------|
| Grants             | \$ 1,719,300       |
| Series 1999A Bonds | 800,000            |
| Series 1999B Bonds | 375,000            |
| Series 1999C Bonds | <u>120,000</u>     |
| Total Sources      | <u>\$3,014,300</u> |

USES

|                                         |                    |
|-----------------------------------------|--------------------|
| Acquisition, Construction and Equipping |                    |
| Project                                 | \$2,872,800        |
| Refunding of Prior Bonds                | 120,000            |
| Costs of Issuance                       | <u>21,500</u>      |
| Total Uses                              | <u>\$3,014,300</u> |

The amount of Project costs is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds 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 appropriate action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

9. Pursuant to Article IV of the Ordinance, the following special funds or accounts have been created or continued with and shall be held by the Depository Bank or the Commission:

- (1) Revenue Fund or System Revenue Fund;
- (2) Operation and Maintenance Fund;
- (3) Renewal and Replacement Fund;
- (4) Project Construction Accounts;
- (5) Refunding Fund; and
- (6) Series 1999A, 1999B and 1999C Bonds Sinking Funds;
  - (a) Within the Series 1999A, 1999B and 1999C Bonds Sinking Funds, the Series 1999A, 1999B and 1999C Bonds Reserve Accounts.

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

(1) Bond proceeds in the amount of \$0 will be deposited in the Series 1999 Bonds Sinking Funds and used to pay interest on the Bonds.

(2) Bond proceeds in the amount of \$0 will be deposited in the Series 1999 Bonds Reserve Accounts.

(3) Series 1999C Bond proceeds in the amount of \$120,000 will be deposited in the Refunding Fund and delivered to the Municipal Bond Commission in the amount necessary to defease the Prior Bonds.

(4) The balance of the proceeds of the Bonds will be advanced from time to time for deposit in the Project Construction Accounts and applied solely to payment of Costs of the Project including costs of issuance of the Bonds and related costs.

11. Moneys held in the Series 1999 Bonds Sinking Funds will be used solely to pay principal of and interest on the Bonds and will not be available to meet costs of construction of the Project. All investment earnings on moneys in the Series 1999 Bonds Sinking Funds will be annually withdrawn therefrom and deposited into the Project Construction Accounts until completion of the Project, and thereafter will be deposited, not less than once each year, in the System Revenue Fund, and such amounts will be applied in full, first to the next ensuing interest payment, if any, due on the Bonds, and then to the next ensuing principal payment due thereon.

12. Except for the Series 1999 Bonds Sinking Funds and the Series 1999 Bonds Reserve Accounts, 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 ten percent (10%) of the proceeds of the Bonds will be deposited in the Series 1999 Bonds Reserve Accounts or any other reserve or replacement fund. Any amounts deposited in the Reserve Accounts from time to time by the Town will not exceed the maximum annual principal and interest on the Bonds and will not exceed one hundred twenty five percent (125%) of average annual principal and interest on the Bonds. Amounts in the Reserve Accounts, not to exceed ten percent (10%) of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Reserve Accounts is required by RUS, the Authority and the Bank, is vital to their purchase of the Bonds and is reasonably required to assure payments of debt service on the Bonds.

13. The Town has entered or will, within thirty (30) days following delivery of the Bonds, enter into contracts for the construction of the Project, and the amount to be expended

pursuant to such contract exceeds or will exceed the lesser of two and one half percent (2 1/2%) of the estimated total Project cost financed with proceeds from the sale of the Bonds or \$100,000. The construction of the Project will proceed with due diligence to completion and all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project. The construction of the Project is expected to be completed within nine (9) months.

14. The Town will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bonds to RUS and the Bank.

15. Any money deposited in the Series 1999 Bonds Sinking Funds for payment of the principal and interest on the Bonds (other than the Series 1999 Bonds Reserve Accounts 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 Series 1999 Bonds Sinking Funds (other than in the Series 1999 Bonds Reserve Account, therein) will be spent within a 1-year period beginning the date of receipt.

16. All the proceeds of the Bonds which are to be used for the payment of costs of the Project will be expended for such purposes within two (2) years.

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

18. 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.

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

20. No more than ten percent (10%) of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than five percent (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.

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

22. 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.

23. 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 treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as a "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 that interest on the Bonds is excludable from gross income for federal income tax purposes.

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

25. The Town has general taxing powers to finance operations of or facilities of the nature of the Project, and the Town and all subordinate entities reasonably expect to issue less than \$5,000,000 of tax-exempt obligations during the calendar year in which the Bonds are to be issued and has issued no other tax-exempt obligations during the current calendar year (or if the Town has issued tax-exempt obligations, the total of all Bonds issued will be less than the \$5,000,000) and expects to meet the small issuer exception to rebate.

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

27. The Town shall comply with the yield restriction on the proceeds of the Bonds as set forth in the Code. The yield on the Series 1999B and 1999C Bonds is 2.00749% and 5.00011%, respectively.

28. The Town has either (a) funded the Reserve Accounts 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 Accounts which will be funded with equal payments on a monthly basis over a ten (10) year period until such Reserve Accounts 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 Accounts and the Sinking Funds (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.

29. The Town shall submit to RUS 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 RUS a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bonds year which would make the Bonds subject to rebate.

30. 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.

31. 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.

32. Goodwin & Goodwin, LLP 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.

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

IN WITNESS WHEREOF, I have set my hand this 27th day of August, 1999.

TOWN OF MIDDLEBOURNE,  
WEST VIRGINIA

By: Gayla Fisher  
Mayor

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(RURAL UTILITIES SERVICE),  
SERIES 1999A and  
\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND)  
SERIES 1999B

CERTIFICATE OF CONSULTING ENGINEER

I, Manning H. Frymier, Registered Professional Engineer, West Virginia License No. 8497 of CERRONE & ASSOCIATES, INC. Consulting Engineers, Wheeling, West Virginia, hereby certify that my firm is engineer for the acquisition, construction and equipping of certain additions, betterments and improvements to the sewer system (herein called the "Project") of the Town of Middlebourne (the "Issuer"), located in Tyler County, West Virginia, a portion of which cost is being financed by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Ordinance enacted and adopted by the Town Council of the Issuer and effective on August 26, 1999 (the "Ordinance"), and, as to the Series 1999B Bonds, the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated August 11, 1999.

1. The Bonds are being issued for the purpose of financing a portion of the costs of the Project.

2. The undersigned hereby certifies that to the best of his knowledge after due inquiry (i) the Project will be constructed in accordance with approved plans and specifications which have been prepared by my firm as described in and in accordance with the application submitted to the Authority requesting the Authority to purchase the Series 1999B Bonds (the "Application") and has been approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it will be constructed and will have an estimated useful life of at least forty (40) years, (iii) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction and operation of the System, (iv) the rates and charges for the System as adopted by the Town Council of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (v) 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 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 27th day of August, 1999.

CERRONE & ASSOCIATES, INC.

By: Manning J. McNeil  
President

West Virginia License No. 8497

[SEAL]

## REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 27th day of August, 1999, by and between THE TOWN OF MIDDLEBOURNE, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and the UNION BANK OF TYLER COUNTY, a state banking corporation, having its principal office in Middlebourne, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$375,000 aggregate principal amount of Sewer Revenue Bonds (State Revolving Fund), Series 1999B and \$120,000 aggregate principal amount of Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, in fully registered form (collectively, the "Bonds"), pursuant to an Ordinance enacted by the Issuer and effective on August 26, 1999 (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 the appointment by the Issuer of a Registrar for the Bonds; and

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

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

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, reasonable compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement the 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 Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the 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 sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Town of Middlebourne  
Attention: Mayor  
100 Main Street  
Middlebourne, West Virginia 26149

REGISTRAR: Union Bank of Tyler County  
Attention: Gary R. Davis  
P.O. Box 145  
Middlebourne, WV 26149

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance and instructions provided by the Issuer and the Purchaser thereof.

IN WITNESS WHEREOF, the TOWN OF MIDDLEBOURNE and the UNION BANK OF TYLER COUNTY have caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day, month and year first above-written.

THE TOWN OF MIDDLEBOURNE

By: Jayla Fisher  
Mayor

UNION BANK OF TYLER COUNTY

By: Lucretia Davis  
Chairman

**Exhibit A**

**See Ordinance (Tab No. 4)**

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(RURAL UTILITIES SERVICE),  
SERIES 1999A,  
\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND),  
SERIES 1999B and  
\$120,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BONDS  
(UNION BANK OF TYLER COUNTY),  
SERIES 1999C

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

Union Bank of Tyler County, a state banking corporation, at its office located in Middlebourne, Tyler County, West Virginia, hereby accepts appointment as Depository Bank in connection with an Ordinance of the Town of Middlebourne (the "Town") duly enacted by the Town Council of the Town (the "Council") and effective on August 26, 1999 (the "Ordinance"), authorizing issuance by the Town of its Sewer Revenue Bonds (Rural Utilities Service), Series 1999A, Sewer Revenue Bonds (State Revolving Fund), Series 1999B, and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, dated August 27, 1999, in the aggregate principal amounts of \$800,000, \$375,000 and \$120,000, respectively, and agrees to perform all duties of Depository Bank in connection with the Project Construction Accounts and Refunding Fund, all as set forth in the Ordinance.

Witness my signature as of the 27th day of August, 1999.

UNION BANK OF TYLER COUNTY

By:   
Chairman

\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND),  
SERIES 1999B and

\$120,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BONDS  
(UNION BANK OF TYLER COUNTY),  
SERIES 1999C

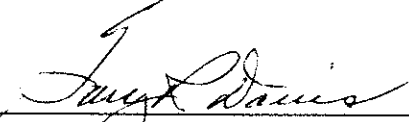
ACCEPTANCE OF DUTIES AS REGISTRAR

Union Bank of Tyler County, a state banking corporation, with its principal office located in Middlebourne, Tyler County, West Virginia, hereby accepts appointment as Registrar in connection with an Ordinance of the Town of Middlebourne (the "Town") duly enacted by the Town Council of the Town (the "Council") and effective on August 26, 1999 (the "Ordinance"), authorizing issuance of the Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, all dated August 27, 1999, in the aggregate principal amounts of \$375,000 and \$120,000, respectively, and agrees to perform all duties of Registrar as set forth in the Ordinance.

Witness my signature as of the 27th day of August, 1999.

UNION BANK OF TYLER COUNTY

By:

  
Chairman

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION  
AND DELIVERY OF THE BONDS

August 27, 1999

Union Bank of Tyler County  
P.O. Box 145  
Middlebourne, WV 26149

Ladies and Gentlemen:

We herewith hand to you, duly executed, \$375,000 Town of Middlebourne, West Virginia, Sewer Revenue Bonds (State Revolving Fund), Series 1999B, and \$120,000 Town of Middlebourne, West Virginia, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C in the form of two bonds, numbered BR-1 and CR-1, respectively (collectively, the "Bonds"), of the Town of Middlebourne (the "Town"), authorized to be issued under and pursuant to the Ordinance, duly enacted the Council of the Town and effective on August 26, 1999.

You are hereby requested and authorized to authenticate and register the Bonds and to deliver the Bonds on behalf of the Town to the West Virginia Water Development Authority, and the Union Bank of Tyler County, the original purchasers thereof, upon receipt by the Town of \$18,750.00, being more than a de minimis portion of the proceeds of the Series 1999B Bonds, and \$120,000, respectively.

THE TOWN OF MIDDLEBOURNE

By: Jayla Sher  
Mayor

(SEAL)

Attest:

Janice Burrell  
Recorder

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(RURAL UTILITIES SERVICE),  
SERIES 1999A,  
\$375,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS  
(STATE REVOLVING FUND),  
SERIES 1999B and  
\$120,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BONDS  
(UNION BANK OF TYLER COUNTY),  
SERIES 1999C

CERTIFICATE OF REGISTRATION OF BOND

I, Gary R. Davis, Chairman of the Union Bank of Tyler County, as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the Town of Middlebourne (the "Town") dated as of the date hereof, hereby certify that on the 27th day of August, 1999, the bonds of the City in the principal amounts of \$800,000, \$375,000 and \$120,000 designated "Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A", "Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B" and "Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C", and numbered AR-1, BR-1 and CR-1, respectively, dated as of the date hereof, were Registered as to principal and interest in the name of "The United States Department of Agriculture, Rural Utilities Service", "The West Virginia Water Development Authority", and "Union Bank of Tyler County", respectively, on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 27th day of August, 1999.

UNION BANK OF TYLER COUNTY,  
as Registrar

By: \_\_\_\_\_

*Gary R. Davis*  
Chairman

**\$800,000**  
**TOWN OF MIDDLEBOURNE**  
**SEWER REVENUE BONDS**  
**(RURAL UTILITIES SERVICE),**  
**SERIES 1999A,**  
**\$375,000**  
**TOWN OF MIDDLEBOURNE**  
**SEWER REVENUE BONDS**  
**(STATE REVOLVING FUND),**  
**SERIES 1999B and**  
**\$120,000**  
**TOWN OF MIDDLEBOURNE**  
**SEWER REVENUE REFUNDING BONDS**  
**(UNION BANK OF TYLER COUNTY),**  
**SERIES 1999C**

**CROSS-RECEIPT FOR BOND AND BOND PROCEEDS**

The undersigned Gary D. Wilson, Rural Development Specialist for the United States Department of Agriculture, Rural Utilities Service ("RUS"), Daniel B. Yonkosky, Director of the West Virginia Water Development Authority ("WDA"), Gary R. Davis, Chairman of the Union Bank of Tyler County ("Bank"), and Gayla S. Fisher, Mayor of the Town of Middlebourne, Tyler County, West Virginia (the "Issuer"), hereby certify as follows:

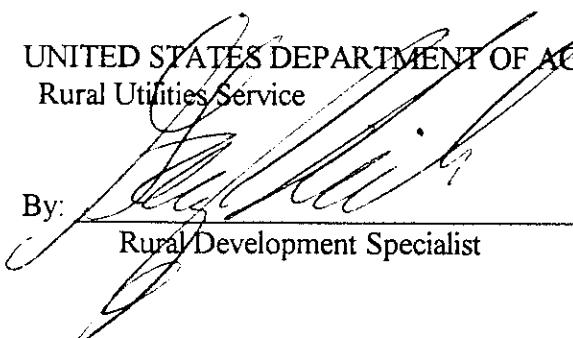
1. On the 27th day of August, 1999, RUS, WDA and Bank received the entire original issue in aggregate principal amounts of \$800,000, \$375,000 and \$120,000 of the Sewer Revenue Bonds (Rural Utilities Service), Series 1999A, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C, respectively, of the Issuer (collectively, the "Bonds"). The Bonds, as so received on original issuance, are dated August 27, 1999, and are issued as Bond Numbers AR-1, BR-1 and CR-1, in the aggregate principal amounts of \$800,000, \$375,000 and \$120,000, respectively.

2. At the time of such receipt of the Bonds, the Bonds had been executed by Gayla S. Fisher, as Mayor of the Issuer, by her manual signature, and by Beth Frum, as Recorder of the Issuer, by her manual signature, and the official seal of the Issuer had been imprinted upon the Bonds.

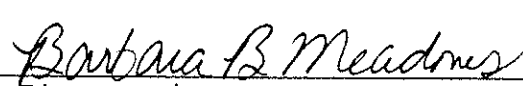
3. The Issuer has received and hereby acknowledges receipt from RUS, as the original purchaser of the Series 1999A Bonds, of \$40,000, being a portion of the proceeds of the Series 1999A Bonds, \$800,000, from WDA, as the original purchaser of the Series 1999B Bonds, of \$18,750.00, being a portion of the proceeds of the Series 1999B Bonds, and from the Bank, as the original purchaser of the Series 1999C Bonds, of \$120,000. The balance of the Series 1999A and Series 1999B Bonds proceeds will be advanced from time to time to pay costs of the Project as described in the Letter of Conditions and Loan Agreement, respectively.

IN WITNESS WHEREOF, this receipt has been signed and delivered on behalf of the United States Department of Agriculture, Rural Utilities Service, the West Virginia Water Development Authority, the Union Bank of Tyler County and the Town of Middlebourne, Tyler County, West Virginia, by their duly authorized representatives, as of the 27th day of August, 1999.

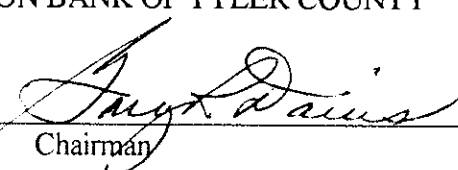
UNITED STATES DEPARTMENT OF AGRICULTURE,  
Rural Utilities Service

By:   
Rural Development Specialist

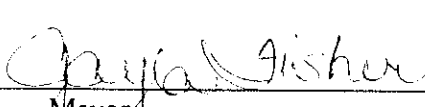
WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

By:   
~~Director~~ Secretary / Treasurer

UNION BANK OF TYLER COUNTY

By:   
Chairman

THE TOWN OF MIDDLEBOURNE

By:   
Mayor

LAW OFFICES  
**GOODWIN & GOODWIN, LLP**  
P. O. BOX 2107  
1500 ONE VALLEY SQUARE  
CHARLESTON, WEST VIRGINIA 25328-2107  
304/346-7000  
TELECOPIER 304/344-9692

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
304/465-2345

P. O. BOX 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 25271  
304/372-2651

REPLY TO:

Charleston

August 27, 1999

United States of America  
United States Department of Agriculture,  
Rural Utilities Service  
P.O. Box 303  
Parkersburg, WV 26102

Re: \$800,000 Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service),  
Series 1999A

Gentlemen:

We are bond counsel to the Town of Middlebourne, West Virginia (the "Town"), a municipal corporation located in Tyler County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the issuance of the Letter of Conditions dated January 26, 1999, including all schedules and exhibits attached thereto (the "Letter of Conditions"), from the United States Department of Agriculture, Rural Utilities Service ("RUS") to the Town and (ii) the issuance of \$800,000 in aggregate principal amount of Sewer Revenue Bonds (Rural Utilities Service), Series 1999A of the Town, dated August 27, 1999 (the "Series 1999A Bonds"), to be purchased by RUS in accordance with the provisions of the Letter of Conditions. The Series 1999A Bonds are in the principal amount of \$800,000 and are issued in the form of one bond registered as to principal and interest to the United States of America.

Interest on the Bonds shall be paid on the unpaid principal balance of the Series 1999A Bonds at four and 75/100 percent (4.75%) per annum for the first twenty-four (24) months of the term. Principal and interest on the Series 1999A Bonds is payable in monthly installments of \$3,800.00 commencing August 27, 2001, as set forth on the "Debt Service Schedule" attached as Exhibit B to the bond. The final installment of principal and interest on the Series 1999A Bonds shall be paid at the end

## GOODWIN & GOODWIN, LLP

of thirty-eight (38) years from the date principal first becomes due and payable on the Series 1999A Bonds.

The Series 1999A Bonds are issued for the purpose of financing a portion of the costs of constructing certain additions, betterments and improvements for a new sewer system, and paying certain issuance and other costs in connection therewith (the "Project").

We have also examined the applicable provisions of Chapter 16, Article 13 of the Code of West Virginia of 1931, as amended (the "Act"), and the Series 1999A Bonds have been authorized by a Bond Ordinance duly enacted by the City Council of the Town ("Council") effective on August 26, 1999 (the "Ordinance"), pursuant to and under which Act and Ordinance the Series 1999A Bonds are authorized and issued, and the Letter of Conditions has been undertaken. The Series 1999A 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 Ordinance.

In rendering this opinion, we have relied, in part, upon the opinion of Gary Rymer, as the Town's Counsel, for the proper enactment of the Bond Ordinance and the Rate Ordinance, sewer rates, matters related to the valid existence of the Town and other issues.

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 Letter of Conditions has been duly accepted by and on behalf of the Town.
2. The Town is a duly organized and presently existing municipal corporation of the State of West Virginia, with full power and authority to construct the Project and to operate and maintain the System referred to in the Ordinance and to issue and sell the Series 1999A Bonds, all under the Act and other applicable provisions of law. The Town has legally and validly created the Sanitary Board and has taken all legal action necessary to operate a sewer system.
3. The Town has legally and effectively enacted the Ordinance and has satisfied all other necessary requirements in connection with the issuance and sale of the Series 1999A Bonds.
4. The Series 1999A Bonds are a valid and legally enforceable special obligation of the Town, payable from the Net Revenues of the System referred to in the Ordinance and secured by a parity lien on and pledge of the net revenues of said System, all in accordance with the terms of the Series 1999A Bonds and the Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C (the Series 1999A, 1999B and 1999C Bonds collectively referred to as the "Bonds"), the Ordinance and the Rate Ordinance adopted on June 22, 1998, and have been duly issued and delivered to RUS. The Town has reserved the right to issue additional bonds ranking on a parity with the Bonds, as provided in the Ordinance. The Town has certified, and an independent certified public accountant has verified, that the rates and charges generated by the Rate Ordinance are sufficient to pay the principal of and interest on the Bonds, when due. The Ordinance requires that such schedule of rates and charges be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

## GOODWIN & GOODWIN, LLP

5. Under existing statutes and court decisions, as presently written and applied, interest on the Series 1999A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1999A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Series 1999A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1999A Bonds. We express no opinion herein regarding other tax consequences arising with respect to the Series 1999A Bonds.

6. Under the Act, as presently written and applied, the Series 1999A Bonds and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13-22f of the Code of West Virginia of 1931, as amended.

No opinion is given herein as to the effect upon enforceability of the Series 1999A Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined an executed and authenticated Bond numbered AR-1, and in our opinion, the form of the Series 1999A Bonds and its execution and authentication are regular and proper.

Respectfully submitted,

*Goodwin + Goodwin, LLP*

GOODWIN & GOODWIN, LLP

LAW OFFICES  
**GOODWIN & GOODWIN, LLP**  
P. O. BOX 2107  
1500 ONE VALLEY SQUARE  
CHARLESTON, WEST VIRGINIA 25328-2107  
304/346-7000  
TELECOPIER 304/344-9692

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
304/485-2345

P. O. BOX 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 25271  
304/372-2851

REPLY TO

Charleston

August 27, 1999

West Virginia Water Development  
Authority  
180 Association Drive  
Charleston, WV 25311-1571

Re: \$375,000 Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund),  
Series 1999B

Gentlemen:

We are bond counsel to the Town of Middlebourne, West Virginia (the "Town"), a municipal corporation located in Tyler County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the Loan Agreement, dated August 11, 1999, including all schedules and exhibits attached thereto (the "Loan Agreement"), among the Town, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection ("DEP") and (ii) the issuance of \$375,000 in aggregate principal amount of Sewer Revenue Bonds (State Revolving Fund), Series 1999B of the Town, dated August 27, 1999 (the "Series 1999B Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Series 1999B Bonds are in the principal amount of \$375,000 and are issued in the form of one bond registered as to principal and interest to the Authority.

Interest on the Series 1999B Bonds shall be paid on the unpaid principal balance of the Series 1999B Bonds at two percent (2%) per annum plus an annual administrative fee at one percent (1%) per annum. Principal on the Bonds is payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Schedule Y to the Loan Agreement. The final

## GOODWIN & GOODWIN, LLP

installment of principal and interest on the Series 1999B Bonds shall be paid at the end of twenty (20) years from the date interest begins to accrue on the Series 1999B Bonds.

The Series 1999B Bonds are issued for the purpose of financing a portion of the costs of constructing certain additions, betterments and improvements for a new sewer system, and paying certain issuance and other costs in connection therewith (the "Project").

We have also examined the applicable provisions of Chapter 16, Article 13 and Chapter 22C, Article 2 of the Code of West Virginia of 1931, as amended (the "Act"), and the Series 1999B Bonds have been authorized by a Bond Ordinance duly enacted by the City Council of the Town ("Council") effective on August 26, 1999 (the "Ordinance"), pursuant to and under which Act and Ordinance the Series 1999B Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Series 1999B 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 Ordinance and the Loan Agreement.

In rendering this opinion, we have relied, in part, upon the opinion of Gary Rymer, as the Town's Counsel, for the proper enactment of the Rate Ordinance, sewer rates, matters related to the valid existence of the Town and other issues.

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 Town and is a valid and binding special obligation of the Town enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and DEP and cannot be amended so as to affect adversely the rights of the Authority or DEP or diminish the obligations of the Town without the consent of the Authority and DEP.
3. The Town is a duly organized and presently existing municipal corporation of the State of West Virginia, with full power and authority to construct the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Series 1999B Bonds, all under the Act and other applicable provisions of law. The Town has legally and validly created the Sanitary Board and has taken all legal action necessary to operate a sewer system.
4. The Town has legally and effectively enacted the Ordinance and has satisfied all other necessary requirements in connection with the issuance and sale of the Series 1999B Bonds. The Ordinance contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
5. The Bonds are a valid and legally enforceable special obligation of the Town, payable from the Net Revenues of the System referred to in the Ordinance and secured by a parity lien on and pledge of the net revenues of said System, all in accordance with the terms of the Series 1999B Bonds and the Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C (the Series 1999A, 1999B and 1999C Bonds collectively referred to as the "Bonds"), the Ordinance and the

## GOODWIN & GOODWIN, LLP

Rate Ordinance adopted on June 22, 1998, and have been duly issued and delivered to the Authority. The Town has reserved the right to issue additional bonds ranking on a parity with the Bonds, as provided in the Ordinance. The Town has certified, and an independent certified public accountant has verified, that the rates and charges generated by the Rate Ordinance are sufficient to pay the principal of and interest on the Bonds, when due. The Ordinance requires that such schedule of rates and charges be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

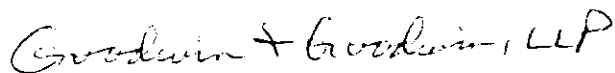
6. Under existing statutes and court decisions, as presently written and applied, interest on the Series 1999B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1999B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Series 1999B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1999B Bonds. We express no opinion herein regarding other tax consequences arising with respect to the Series 1999B Bonds.

7. Under the Act, as presently written and applied, the Series 1999B Bonds and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13-22f of the Code of West Virginia of 1931, as amended.

No opinion is given herein as to the effect upon enforceability of the Series 1999B Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined an executed and authenticated Bond numbered BR-1, and in our opinion, the form of the Series 1999B Bonds and its execution and authentication are regular and proper.

Respectfully submitted,

A handwritten signature in cursive script that reads "Goodwin & Goodwin, LLP".

GOODWIN & GOODWIN, LLP

LAW OFFICES  
**GOODWIN & GOODWIN, LLP**  
P. O. BOX 2107  
1500 ONE VALLEY SQUARE  
CHARLESTON, WEST VIRGINIA 25328-2107  
304/346-7000  
TELECOPIER 304/344-9692

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
304/483-2345

P. O. BOX 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 25271  
304/372-2651

REPLY TO

Charleston

August 27, 1999

Union Bank of Tyler County  
P.O. Box 145  
Middlebourne, WV 26149

Re: \$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C

Gentlemen:

We are bond counsel to the Town of Middlebourne, West Virginia (the "Town"), a municipal corporation located in Tyler County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) an undated loan commitment letter from the Union Bank of Tyler County (the "Bank") to the Town and (ii) the issuance of \$120,000 in aggregate principal amount of Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C of the Town, dated August 27, 1999 (the "Series 1999C Bonds"), to be purchased by the Bank in accordance with its loan commitment letter. The Series 1999C Bonds are in the principal amount of \$120,000 and are issued in the form of one bond registered as to principal and interest to the Union Bank of Tyler County.

Interest on the Bonds shall be paid on the unpaid principal balance of the Series 1999C Bonds at five percent (5.00%) per annum, and principal and interest on the Series 1999C Bonds is payable in semiannual installments commencing January 1, 2000, and maturing January 1, 2013, as set forth on the "Debt Service Schedule" attached as Exhibit B to the bond. The final installment of all outstanding principal and interest on the Series 1999C Bonds shall be paid on January 1, 2013.

## GOODWIN & GOODWIN, LLP

The Series 1999C Bonds are issued for the purpose of refinancing certain existing indebtedness and facilitating the Town's incurrence of new debt to pay a portion of the costs of constructing certain additions, betterments and improvements for a sewer system and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13 and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended (collectively, the "Act"), and the Series 1999C Bonds have been authorized by a Bond Ordinance duly enacted by the City Council of the Town ("Council") effective on August 26, 1999 (the "Ordinance"), pursuant to and under which Act and Ordinance the Series 1999C Bonds are authorized and issued. The Series 1999C 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 Ordinance.

In rendering this opinion, we have relied, in part, upon the opinion of Gary Rymer, as the Town's Counsel, for the proper enactment of the Bond Ordinance and the Rate Ordinance, sewer rates, matters related to the valid existence of the Town and other issues.

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 Town is a duly organized and presently existing municipal corporation of the State of West Virginia, with full power and authority to operate and maintain its sewer system and to issue and sell the Series 1999C Bonds, all under the Act and other applicable provisions of law. The Town has legally and validly created the Sanitary Board and has taken all legal action necessary to operate a sewer system.

2. The Town has legally and effectively enacted the Ordinance and has satisfied all other necessary requirements in connection with the issuance and sale of the Series 1999C Bonds.

3. The Series 1999C Bonds are a valid and legally enforceable special obligation of the Town, payable from the Net Revenues of the System referred to in the Ordinance and secured by a parity lien on and pledge of the net revenues of said System, all in accordance with the terms of the Series 1999C Bonds and the Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and the Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B (the Series 1999A, 1999B and 1999C Bonds collectively referred to as the "Bonds"), the Ordinance and the Rate Ordinance adopted on June 22, 1998, and have been duly issued and delivered to the Bank. The Town has reserved the right to issue additional bonds ranking on a parity with the Bonds, as provided in the Ordinance. The Town has certified, and an independent certified public accountant has verified, that the rates and charges generated by the Rate Ordinance are sufficient to pay the principal of and interest on the Bonds, when due. The Ordinance requires that such schedule of rates and charges be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

4. Under existing statutes and court decisions, as presently written and applied, interest on the Series 1999C Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"),

GOODWIN & GOODWIN, LLP

and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 1999C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Series 1999C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 1999C Bonds. We express no opinion herein regarding other tax consequences arising with respect to the Series 1999C Bonds.

5. Under the Act, as presently written and applied, the Series 1999C Bonds and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13-22f of the Code of West Virginia of 1931, as amended.

6. The Issuer has designated the Series 1999C Bonds as "qualified tax-exempt obligations" for purposes of the Code and has covenanted that it does not reasonably expect to issue, together with subordinate entities, more than \$10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 1999. Therefore, the Series 1999C Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations do not apply to the Series 1999C Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 1999C Bonds is deductible for Federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Series 1999C Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined an executed and authenticated Bond numbered CR-1, and in our opinion, the form of the Series 1999C Bonds and its execution and authentication are regular and proper.

Respectfully submitted,

*Goodwin & Goodwin, LLP*

GOODWIN & GOODWIN, LLP

LAW OFFICES  
**GOODWIN & GOODWIN, LLP**  
P. O. BOX 2107  
1500 ONE VALLEY SQUARE  
CHARLESTON, WEST VIRGINIA 25328-2107  
304/346-7000  
TELECOPIER 304/344-9692

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
304/485-2345

P. O. BOX 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 26271  
304/372-2651

REPLY TO:  
Charleston

August 27, 1999

The Town of Middlebourne  
100 Main Street  
Middlebourne, West Virginia 26149

Re: \$375,000 Town of Middlebourne, Sewer Revenue Bonds  
(State Revolving Fund), Series 1999B, and  
\$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds  
(Union Bank of Tyler County), Series 1999C

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the \$375,000 and \$120,000 in aggregate principal amounts of the Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C (collectively, the "Bonds"), issued by the Town of Middlebourne (the "Town"), a municipal corporation, and the Non-Arbitrage Certificate executed by Gayla S. Fisher, Mayor of the Town on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Non-Arbitrage Certificate 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 an "arbitrage bond" as therein defined.

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 the calendar year in which the Bonds are to be issued and have issued no other tax-exempt obligations during the current calendar year (or if the Town has issued tax-exempt obligations, the total of all bonds issued will be less than the \$5,000,000). Consequently, interest earnings with respect to the Bonds in excess of the yield of the Bonds are not subject to the rebate

GOODWIN & GOODWIN, LLP

obligations, the total of all bonds issued will be less than the \$5,000,000). Consequently, interest earnings with respect to the Bonds in excess of the yield of the Bonds are not subject to the rebate requirements of the Code.

No matters have come to our attention, which in our opinion make unreasonable or incorrect the representations made in such certification.

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 an "arbitrage bond." 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.

Respectfully submitted,

*Goodwin & Goodwin, LLP*

Goodwin & Goodwin, LLP

**GARY L. RYMER**  
**ATTORNEY AT LAW**  
**P.O. BOX 236**  
**MIDDLEBOURNE, WEST VIRGINIA 26149**  
**(304) 758-4448 or 1-800-499-4433**

August 27, 1999

United States Department of Agriculture  
Rural Utilities Service  
P.O. Box 303  
Parkersburg, WV 26102

Jackson & Kelly, PLLC  
P.O. Box 553  
Charleston, WV 25322

West Virginia Water Development  
Authority  
180 Association Drive  
Charleston, WV 25311-1571

Goodwin & Goodwin, LLP  
P.O. Box 2107  
Charleston, WV 25328

Union Bank of Tyler County  
P.O. Box 145  
Middlebourne, WV 26149

Re: \$800,000 Town of Middlebourne, Sewer Revenue Bonds,  
(Rural Utilities Service), Series 1999A,  
\$375,000 Town of Middlebourne, Sewer Revenue Bonds,  
(State Revolving Fund), Series 1999B and  
\$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds  
(Union Bank of Tyler County), Series 1999C

Ladies and Gentlemen:

I am counsel to the Town of Middlebourne, West Virginia (the "Town"). I have reviewed various documents relating to the above-captioned bonds of the Town (the "Bonds"), the Letter of Conditions dated January 26, 1996, from the United States Department of Agriculture, Rural Utilities Service to the Town, the Loan Agreement by and among the West Virginia Water Development Authority (the "Authority"), the West Virginia Division of Environmental Protection and the Town, dated August 11, 1999, a commitment letter from the Union Bank of Tyler County to the Town, and an Ordinance duly enacted by the Council of the Town (the "Council") and effective on August 27, 1999 (the "Ordinance") and other documents relating to the Bonds. Terms used in this opinion and not otherwise defined herein shall have the same meanings as contained in the Loan Agreement and the Ordinance.

I am of the opinion that:

1. The Town is a duly organized and presently existing municipal corporation, with full power and authority to construct the Project and to operate and maintain the System referred to in the Letter of Conditions and the Loan Agreement and to issue and sell the Bonds, all under the Ordinance and other applicable provisions of law.

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

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

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

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

6. The Town has received all necessary rights of way, permits, licenses, approvals and authorizations that are presently obtainable to construct and finance the Project including a letter from the West Virginia Infrastructure and Jobs Development Council and approval by the Public Service Commission of West Virginia.

7. The Town duly adopted a Rate Ordinance on June 22, 1998, which remains in full force and effect, whereby the rates and charges for use of the System were established to meet the operation and maintenance costs of the System and payment of the debt service on the Bonds on a parity basis. Under the terms of the Act, the Town has full authority to establish rates for the System and to pledge the revenues from said rates to the payment of the Bonds on a parity basis.

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

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

Very truly yours,

  
Gary Rymer

LAW OFFICES  
**GOODWIN & GOODWIN, LLP**

P. O. BOX 2107  
1500 ONE VALLEY SQUARE  
CHARLESTON, WEST VIRGINIA 25328-2107  
304/346-7000  
TELECOPIER 304/344-9692

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
304/485-2345

P. O. BOX 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 26271  
304/372-2651

REPLY TO  
Charleston

August 27, 1999

Via Facsimile

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

Re: \$120,000 Town of Middlebourne  
Sewer Revenue Refunding Bonds  
(Union Bank of Tyler County)  
Series 1999C

Dear Witter:

As bond counsel for the Town of Middlebourne (the "Issuer"), I wish to advise you that on August 27, 1999 (the "Settlement Date"), the Issuer will deliver the above-captioned revenue refunding bonds (the "Series 1999C Bonds") to Union National Bank of Tyler County. Proceeds of the Series 1999C Bonds will be used to refund the Issuer's Sewer Revenue Bonds, Series 1973, dated October 3, 1973 (the "Prior Bonds"). The Prior Bonds are outstanding in the amount of \$126,856.24 as of August 27, 1999, plus a per diem amount of \$16.78 for a total due on Monday, August 30, 1999, of \$126,906.58.

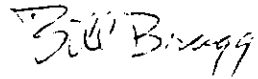
On the Settlement Date, the Issuer will deliver to the West Virginia Municipal Bond Commission (the "Bond Commission"), \$120,000.00 from proceeds of the Series 1999C Bonds. The Bond Commission should transfer \$11,731.38 from the Prior Bonds Debt Service Account and \$15,363.81 from the Prior Bonds Debt Service Reserve Account (total \$27,095.19). The transfer from the Prior Bonds Debt Service and Debt Service Reserve Accounts should be made on August 30, 1999. You are hereby authorized to apply \$126,906.58 to refund the Prior Bonds by wire to Bank One, Texas, NA. Any excess amounts should be wire transferred to the Issuer's Depository Bank, Union Bank of Tyler County in Middlebourne. Wire transfer instructions have been provided under separate cover.

GOODWIN & GOODWIN, LLP

Mr. R. Witter Hallan, Executive Director  
August 27, 1999  
Page 2

If you have any questions regarding the foregoing, please feel free to call me.

Sincerely yours,



William K. Bragg, Jr.

WKB/bas

Enclosure

cc: Gayla S. Fisher, Mayor  
Gary L. Rymer, Esq.  
Gary R. Davis, Union Bank of Tyler County

## CERTIFICATE OF DEFEASANCE OF BONDS

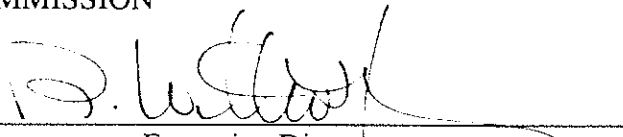
I, R. Witter Hallan, Executive Director of the West Virginia Municipal Bond Commission (the "Commission"), hereby certify that on August 27, 1999, the Commission received proceeds sufficient to defease all remaining debt service on the \$215,000 Town of Middlebourne, West Virginia, Sewer Revenue Bonds, Series 1973, dated October 3, 1973 (the "Prior Bonds"), of which \$126,906.58 is the principal outstanding, accrued interest and miscellaneous expenses owed to August 30, 1999. The total amount received was \$120,000.00 which, together with \$27,095.19 already on deposit with the Commission in the Prior Bonds Debt Service and Debt Service Reserve Accounts, totals an amount necessary to defease the Prior Bonds.

Accordingly, the Commission certifies as follows:

- (1) The Prior Bonds issued by the Town of Middlebourne, West Virginia, on October 3, 1973, have been defeased; and
- (2) The obligations of the Town of Middlebourne under the Ordinance adopted April 16, 1973, have been satisfied in full.

Given under my hand this 30th day of August, 1999.

WEST VIRGINIA MUNICIPAL BOND  
COMMISSION

By: 

Executive Director

August 27, 1999

\$120,000  
Town of Middlebourne  
Sewer Revenue Refunding Bonds  
(Union Bank of Tyler County)  
Series 1999C

Town of Middlebourne  
100 Main Street  
Middlebourne, WV 26149

Goodwin & Goodwin, LLP  
P.O. Box 2107  
Charleston, WV 25328

Ladies and Gentlemen:

In connection with the issuance of the above-captioned bonds (the "Bonds"), the undersigned hereby confirms that we are purchasing the entire \$120,000 principal amount of the Bonds, issued by the Town of Middlebourne (the "Issuer"), pursuant to an Ordinance enacted by the Issuer and effective on August 26, 1999 (the "Ordinance"). Capitalized terms used in the Ordinance and not otherwise defined herein shall have the same meanings when used herein as in the Ordinance, unless the context otherwise requires. In consideration of the issuance and delivery of the Bonds, and as an inducement thereto, the purchaser hereby makes the following representations and warranties:

1. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of corporate securities and municipal and other obligations, including, without limitation, tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by our purchase of the Bonds, and our net worth and available assets are such that we are able to bear the economic risk of our purchase of the Bonds. We are aware that the revenues of the Issuer's sewage system involve certain economic variables and risks that could adversely affect the security of our investment in the Bonds.

2. We have received and examined the Ordinance and have received and examined the form of this letter.

3. We understand that the entire principal of, premium (if any) and interest on the Bonds are payable by the Issuer solely from the revenues derived from, or in connection with, the operation of the Issuer's sewage system and the funds or property pledged therefor; that the Bonds are special and limited obligations of the Issuer and are not general obligations or secured by any obligation or pledge of any monies received or to be received from taxation by the Issuer, the State of West Virginia or any political subdivision or taxing district thereof; that the Bonds do not now and shall never constitute an indebtedness or constitute or give rise to a pecuniary liability or be a pledge of or charge against the property, faith and credit or taxing power, if any, of any such entity or entities; and that we have no right to have taxes levied by any taxing authority or any such aforementioned entity or entities for the payment of principal, premium, if any, and interest on the Bonds.

4. We understand that no official statement, offering statement, prospectus, offering circular or other statement containing material information with respect to the Issuer, the Bonds or the Issuer's sewage system is being issued or otherwise represented. We have with due diligence made our own inquiry and analysis, to the extent we have deemed necessary, with respect to the Issuer, the Bonds and the security therefor and other material factors affecting the security for and payment of the Bonds, and are relying solely on such inquiry and analysis in our purchase of the Bonds.

5. We are familiar with the operations of the Issuer's sewage system and acknowledge that, during the course of the transaction and prior to the sale of the Bonds, we have either been supplied with or have had access to information, including financial statements and financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals, including, but not limited to, Goodwin & Goodwin, LLP, as Bond counsel, and Gary L. Rymer, as Issuer's counsel, the Issuer, concerning the Issuer, the Issuer's sewage system, the Bonds and the security therefor so that, as a reasonable investor, we have been able to make our decision to purchase the Bonds. No such information requested by us has been denied to us. We acknowledge that neither the Issuer nor Goodwin & Goodwin, LLP and Gary L. Rymer have undertaken steps to ascertain the accuracy or completeness of any information furnished to us relating to the business, operations, financial condition or future prospects of the Issuer, and Goodwin & Goodwin, LLP and Gary L. Rymer have made no representations concerning the accuracy or completeness of any information supplied to us by or relating to the Issuer's sewage system.

6. Because of our experience in financial and business matters, we feel that we are qualified to make the inquiry and analysis described in paragraph 4 and to understand fully the documents and information described in paragraphs 2 and 5.

7. We understand that the Internal Revenue Code of 1986, as amended (the "Code"), prescribes satisfaction of several requirements in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes, some of which apply after issuance of the Bonds, and that noncompliance by the Issuer with certain of such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes and, thus, included in gross income for federal income tax purposes, retroactive to the date hereof. We also understand that under the Code, interest on obligations, such as the Bonds, is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by Section 55 of the Code, but that a provision of the Code which is applicable to corporations (as defined for federal income tax

purposes) and which would impose an alternative minimum tax on a portion of the excess of adjusted current earnings, could subject part of the interest on the Bonds received by corporations to such corporate alternative minimum tax. Additionally, we understand that for tax years beginning after 1986 and before 1996, interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section a of the Code and enacted by the Superfund Revenue Act of 1986, and that for taxable years beginning after 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to the branch profits tax imposed by the Code.

8. We understand that the Bonds are not being registered under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service, and (iv) will not be readily marketable.

9. We are purchasing the Bonds for investment in our own account and do not currently intend to divide our interest with others or to resell or otherwise dispose of all or any part of the Bonds purchased by us.

10. We have satisfied ourselves that the Bonds are a lawful investment for us under all applicable laws.

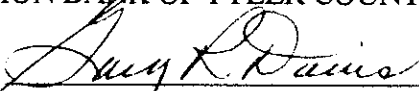
We have received the opinions of Goodwin & Goodwin, LLP and Gary L. Rymer delivered in connection with the Bonds. We have relied upon such opinions, and upon the advice of our legal counsel, as to the legal conclusions set forth in such opinions, subject to any limitations set forth therein.

We have had the opportunity to consult with and be advised by legal counsel as to the significance of this letter.

Very truly yours,

UNION BANK OF TYLER COUNTY

By:

  
President-  
Chairman

WV MUNICIPAL BOND COMMISSION  
812 Quarrier Street, Suite 300  
Charleston, WV 25301  
(304) 558-3971

NEW ISSUE REPORT FORM  
Date of Report: August 19, 1999

ISSUE: \$800,000 Town of Middlebourne, Sewer Revenue Bonds (Rural Utilities Service), Series 1999A,  
\$375,000 Town of Middlebourne, Sewer Revenue Bonds (State Revolving Fund), Series 1999B and  
\$120,000 Town of Middlebourne, Sewer Revenue Refunding Bonds (Union Bank of Tyler County),  
Series 1999C

ADDRESS: 100 Main Street  
Middlebourne, WV 26149

COUNTY: Tyler

PURPOSE: New Money X

OF ISSUE: Refunding X Refunds issue dated: January 1, 1973

ISSUE DATE: August 27, 1999

CLOSING DATE: August 27, 1999

ISSUE AMOUNTS: \$800,000, \$375,000 and  
\$120,000

RATES: 5%, 2% and 5%

1st DEBT SERVICE DUE: 12/1/00 (B Bond)  
1/1/00 (C Bond)

1ST PRINCIPAL DUE: 12/1/00 (B Bond)  
1/1/00 (C Bond)

1ST DEBT SERVICE AMOUNT: \$5,699.00 (B Bond)  
\$6,120.45 (C Bond)

PAYING AGENT: Municipal  
Bond Commission (B and C Bonds only)

BOND COUNSEL: Goodwin & Goodwin, LLP  
Contact Person: W. K. Bragg, Jr.  
Phone: 346-7000

LENDER: US Dept. of Agriculture, RUS (A Bond)  
Contact Person: Gary D. Wilson  
Phone: 420-6666

REGISTRAR: Union Bank of Tyler County  
Contact Person: Gary R. Davis  
Phone: 758-2191

LENDER: Div. of Environ. Protec. (B Bond)  
Contact Person: R. Broaderson  
Phone: 558-0641

KNOWLEDGEABLE ISSUER CONTACT:  
Contact Person: Gayla S. Fisher  
Position: Mayor  
Phone: 758-4771

LENDER: Union Bank of Tyler County (C Bond)  
Contact Person: Gary R. Davis  
Phone: 758-2191

LENDER'S COUNSEL: Jackson & Kelly, PLLC  
(B Bond)  
Contact Person: Samme Gee  
Phone: 340-1318

DEPOSITS TO MBC AT CLOSE:

|                     |                                                |                        |
|---------------------|------------------------------------------------|------------------------|
| By <u>    </u> Wire | <u>    </u> Accrued Interest:                  | \$ <u>    0    </u>    |
| <u>    </u> Check   | <u>    </u> Capitalized Interest:              | \$ <u>    0    </u>    |
|                     | <u>    </u> Reserve Account:                   | \$ <u>    0    </u>    |
|                     | <u>    </u> Other: <u>                    </u> | \$ <u>            </u> |

REFUNDS & TRANSFERS BY MBC AT CLOSE:

|                   |                                    |                       |
|-------------------|------------------------------------|-----------------------|
| By <u>X</u> Wire  | <u>    </u> To Escrow Trustee:     | \$ <u>    N/A    </u> |
| <u>    </u> Check | <u>    </u> To Issuer:             | \$ <u>    N/A    </u> |
| <u>    </u> IGT   | <u>    </u> To Cons. Invest. Fund: | \$ <u>    N/A    </u> |
|                   | <u>X</u> Other: GMAC               | \$126,906.58          |

\$800,000  
TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS (RURAL UTILITIES SERVICE),  
SERIES 1999A

No. AR-1

Date: August 27, 1999

FOR VALUE RECEIVED, the TOWN OF MIDDLEBOURNE, a municipal corporation and political subdivision of the State of West Virginia, in Tyler County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00), plus interest on the unpaid principal balance at the rate of four and 75/100 percent (4.75.0%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$3,800.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made to the Government and mailed to the address as it appears on the books of the Issuer. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with the Issuer's Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C and any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a sewer system (the "System") or refunding existing debt of the Issuer, are payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

This Bond is payable only from and secured by a parity pledge of the net revenues to be derived from the operation of the system, from moneys in the Series 1999A Bonds Reserve Account created under the Ordinance for the Bonds and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (State Revolving Fund), Series 1999B and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the

Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Series 1999B Bonds and Series 1999C Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999A Bonds Reserve Account amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999B and Series 1999C Bonds Reserve Accounts, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirements therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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 hereof.

SPECIMEN

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Ordinance enacted by the Issuer and effective on August 26, 1999, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code (herein called the "Act").

SPECIMEN

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (STATE REVOLVING FUND), SERIES 1999B AND THE

SEWER REVENUE REFUNDING BONDS (UNION BANK OF TYLER COUNTY), SERIES 1999C, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH BONDS.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505-7500.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, the TOWN OF MIDDLEBOURNE has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

(SEAL)

TOWN OF MIDDLEBOURNE

By: Gayla Fisher  
Mayor  
100 Main Street  
Middlebourne, WV 26149

ATTEST:

By: James Bonner  
Recorder Acting

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999A Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 27, 1999

SPECIMEN

UNION BANK OF TYLER COUNTY

By: Jay L Davis

Its: Chairman

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 Issuer with full power of substitution in the premises.

DATED: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of:

\_\_\_\_\_

# EXHIBIT A

## RECORD OF ADVANCES

| AMOUNT           | DATE            | AMOUNT  | DATE |
|------------------|-----------------|---------|------|
| (1) \$ 40,000.00 | August 27, 1999 | (6) \$  |      |
| (2) \$           |                 | (7) \$  |      |
| (3) \$           |                 | (8) \$  |      |
| (4) \$           |                 | (9) \$  |      |
| (5) \$           |                 | (10) \$ |      |

TOTAL \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
THE TOWN OF MIDDLEBOURNE  
SEWER REVENUE BONDS (STATE REVOLVING FUND),  
SERIES 1999B

No. BR-1

\$375,000

Date: August 27, 1999

KNOW ALL MEN BY THESE PRESENTS: That THE TOWN OF MIDDLEBOURNE, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in Tyler County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Three Hundred Seventy-five Thousand and 00/100 Dollars (\$375,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at zero percent (0%) per annum until September 1, 2000; thereafter interest shall be paid on the unpaid principal balance at the rate of two percent (2%) per annum plus a one percent (1%) annual administrative fee payable quarterly. Principal and interest on the Bond is payable in quarterly installments commencing December 1, 2000, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The final installment of principal and interest shall be paid at the end of twenty (20) years from the date interest begins to accrue on this Bond and shall be in an amount equal to the amount of outstanding principal and interest due on the Bond at said date. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and shall cease to accrue on the amount outstanding, or portions thereof, as the same is paid, as reflected by said Record of Advances.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal and interest on this Bond are 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 Union Bank of Tyler County, Middlebourne, West Virginia (the "Registrar"), on the 15th day of the month next preceding such 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 at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Division of Environmental Protection ("DEP") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and among the Issuer, the Authority and DEP.

This Bond is issued (i) to pay a portion of the costs of construction of certain additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective on August 26, 1999 (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 Bond under the Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created under the Ordinance for the Bonds (the "Series 1999B Bonds Reserve Account") and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and Sewer Revenue Refunding Bonds (Union Bank of Tyler County), Series 1999C. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on this Bond as well as the Series 1999A and 1999C Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999B Bonds Reserve Accounts amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999A and 1999C Bonds Reserve Accounts, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books 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 duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the 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 owner of this Bond.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (RURAL UTILITIES SERVICE), SERIES 1999A AND SEWER REVENUE REFUNDING BONDS (UNION BANK OF TYLER COUNTY), SERIES 1999C, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest 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.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, THE TOWN OF MIDDLEBOURNE 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 August 27, 1999.

THE TOWN OF MIDDLEBOURNE, WEST  
VIRGINIA

[SEAL]

By:

Gayla Fisher  
Mayor

ATTEST:

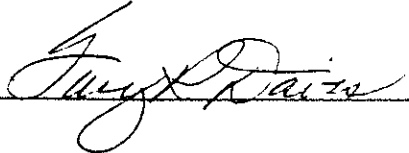
Jamie A. Bennett  
Recorder Acting

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999B Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 27, 1999

UNION BANK OF TYLER COUNTY

By: 

Its: Chairman

EXHIBIT A  
RECORD OF ADVANCES

|     | <u>AMOUNT</u> | <u>DATE</u>     |                | <u>AMOUNT</u> | <u>DATE</u> |
|-----|---------------|-----------------|----------------|---------------|-------------|
| (1) | \$18,750.00   | August 27, 1999 | (6)            |               |             |
| (2) |               |                 | (7)            |               |             |
| (3) |               |                 | (8)            |               |             |
| (4) |               |                 | (9)            |               |             |
| (5) |               |                 | (10)           |               |             |
|     |               |                 | TOTAL \$ _____ |               |             |

## EXHIBIT B

## Town of Middlebourne (West Virginia)

Loan Amount of \$375,000

20 Years, 2% Interest Rate, 1% Administrative Fee

Closing Date: August 27, 1999

## DEBT SERVICE SCHEDULE

| Date       | Principal | Coupon | Interest | Total P+I |
|------------|-----------|--------|----------|-----------|
| 9/01/1999  | -         | -      | -        | -         |
| 12/01/1999 | -         | -      | -        | -         |
| 3/01/2000  | -         | -      | -        | -         |
| 6/01/2000  | -         | -      | -        | -         |
| 9/01/2000  | -         | -      | -        | -         |
| 12/01/2000 | 3,824.00  | 2.000% | 1,875.00 | 5,699.00  |
| 3/01/2001  | 3,843.00  | 2.000% | 1,855.88 | 5,698.88  |
| 6/01/2001  | 3,862.00  | 2.000% | 1,836.67 | 5,698.67  |
| 9/01/2001  | 3,881.00  | 2.000% | 1,817.36 | 5,698.36  |
| 12/01/2001 | 3,901.00  | 2.000% | 1,797.95 | 5,698.95  |
| 3/01/2002  | 3,920.00  | 2.000% | 1,778.45 | 5,698.45  |
| 6/01/2002  | 3,940.00  | 2.000% | 1,758.85 | 5,698.85  |
| 9/01/2002  | 3,960.00  | 2.000% | 1,739.15 | 5,699.15  |
| 12/01/2002 | 3,980.00  | 2.000% | 1,719.35 | 5,699.35  |
| 3/01/2003  | 3,999.00  | 2.000% | 1,699.45 | 5,698.45  |
| 6/01/2003  | 4,019.00  | 2.000% | 1,679.45 | 5,698.45  |
| 9/01/2003  | 4,040.00  | 2.000% | 1,659.36 | 5,699.36  |
| 12/01/2003 | 4,060.00  | 2.000% | 1,639.16 | 5,699.16  |
| 3/01/2004  | 4,080.00  | 2.000% | 1,618.86 | 5,698.86  |
| 6/01/2004  | 4,100.00  | 2.000% | 1,598.46 | 5,698.46  |
| 9/01/2004  | 4,121.00  | 2.000% | 1,577.96 | 5,698.96  |
| 12/01/2004 | 4,142.00  | 2.000% | 1,557.35 | 5,699.35  |
| 3/01/2005  | 4,162.00  | 2.000% | 1,536.64 | 5,698.64  |
| 6/01/2005  | 4,183.00  | 2.000% | 1,515.83 | 5,698.83  |
| 9/01/2005  | 4,204.00  | 2.000% | 1,494.92 | 5,698.92  |
| 12/01/2005 | 4,225.00  | 2.000% | 1,473.90 | 5,698.90  |
| 3/01/2006  | 4,246.00  | 2.000% | 1,452.77 | 5,698.77  |
| 6/01/2006  | 4,267.00  | 2.000% | 1,431.54 | 5,698.54  |
| 9/01/2006  | 4,289.00  | 2.000% | 1,410.21 | 5,699.21  |
| 12/01/2006 | 4,310.00  | 2.000% | 1,388.76 | 5,698.76  |
| 3/01/2007  | 4,332.00  | 2.000% | 1,367.21 | 5,699.21  |
| 6/01/2007  | 4,353.00  | 2.000% | 1,345.55 | 5,698.55  |
| 9/01/2007  | 4,375.00  | 2.000% | 1,323.79 | 5,698.79  |
| 12/01/2007 | 4,397.00  | 2.000% | 1,301.91 | 5,698.91  |
| 3/01/2008  | 4,419.00  | 2.000% | 1,279.93 | 5,698.93  |
| 6/01/2008  | 4,441.00  | 2.000% | 1,257.83 | 5,698.83  |
| 9/01/2008  | 4,463.00  | 2.000% | 1,235.63 | 5,698.63  |
| 12/01/2008 | 4,486.00  | 2.000% | 1,213.31 | 5,699.31  |
| 3/01/2009  | 4,508.00  | 2.000% | 1,190.88 | 5,698.88  |
| 6/01/2009  | 4,531.00  | 2.000% | 1,168.34 | 5,699.34  |
| 9/01/2009  | 4,553.00  | 2.000% | 1,145.69 | 5,698.69  |
| 12/01/2009 | 4,576.00  | 2.000% | 1,122.92 | 5,698.92  |
| 3/01/2010  | 4,599.00  | 2.000% | 1,100.04 | 5,699.04  |
| 6/01/2010  | 4,622.00  | 2.000% | 1,077.05 | 5,699.05  |
| 9/01/2010  | 4,645.00  | 2.000% | 1,053.94 | 5,698.94  |
| 12/01/2010 | 4,668.00  | 2.000% | 1,030.71 | 5,698.71  |
| 3/01/2011  | 4,691.00  | 2.000% | 1,007.37 | 5,698.37  |

**Town of Middlebourne (West Virginia)**  
*Loan Amount of \$375,000*  
*20 Years, 2% Interest Rate, 1% Administrative Fee*  
*Closing Date: August 27, 1999*

**DEBT SERVICE SCHEDULE**

| Date         | Principal         | Coupon   | Interest         | Total P+I           |
|--------------|-------------------|----------|------------------|---------------------|
| 6/01/2011    | 4,715.00          | 2.000%   | 983.92           | 5,698.92            |
| 9/01/2011    | 4,739.00          | 2.000%   | 960.34           | 5,699.34            |
| 12/01/2011   | 4,762.00          | 2.000%   | 936.65           | 5,698.65            |
| 3/01/2012    | 4,786.00          | 2.000%   | 912.84           | 5,698.84            |
| 6/01/2012    | 4,810.00          | 2.000%   | 888.91           | 5,698.91            |
| 9/01/2012    | 4,834.00          | 2.000%   | 864.86           | 5,698.86            |
| 12/01/2012   | 4,858.00          | 2.000%   | 840.69           | 5,698.69            |
| 3/01/2013    | 4,882.00          | 2.000%   | 816.40           | 5,698.40            |
| 6/01/2013    | 4,907.00          | 2.000%   | 791.99           | 5,698.99            |
| 9/01/2013    | 4,931.00          | 2.000%   | 767.45           | 5,698.45            |
| 12/01/2013   | 4,956.00          | 2.000%   | 742.80           | 5,698.80            |
| 3/01/2014    | 4,981.00          | 2.000%   | 718.02           | 5,699.02            |
| 6/01/2014    | 5,006.00          | 2.000%   | 693.11           | 5,699.11            |
| 9/01/2014    | 5,031.00          | 2.000%   | 668.08           | 5,699.08            |
| 12/01/2014   | 5,056.00          | 2.000%   | 642.93           | 5,698.93            |
| 3/01/2015    | 5,081.00          | 2.000%   | 617.65           | 5,698.65            |
| 6/01/2015    | 5,107.00          | 2.000%   | 592.24           | 5,699.24            |
| 9/01/2015    | 5,132.00          | 2.000%   | 566.71           | 5,698.71            |
| 12/01/2015   | 5,158.00          | 2.000%   | 541.05           | 5,699.05            |
| 3/01/2016    | 5,184.00          | 2.000%   | 515.26           | 5,699.26            |
| 6/01/2016    | 5,210.00          | 2.000%   | 489.34           | 5,699.34            |
| 9/01/2016    | 5,236.00          | 2.000%   | 463.29           | 5,699.29            |
| 12/01/2016   | 5,262.00          | 2.000%   | 437.11           | 5,699.11            |
| 3/01/2017    | 5,288.00          | 2.000%   | 410.80           | 5,698.80            |
| 6/01/2017    | 5,315.00          | 2.000%   | 384.36           | 5,699.36            |
| 9/01/2017    | 5,341.00          | 2.000%   | 357.78           | 5,698.78            |
| 12/01/2017   | 5,368.00          | 2.000%   | 331.08           | 5,699.08            |
| 3/01/2018    | 5,395.00          | 2.000%   | 304.24           | 5,699.24            |
| 6/01/2018    | 5,422.00          | 2.000%   | 277.26           | 5,699.26            |
| 9/01/2018    | 5,449.00          | 2.000%   | 250.15           | 5,699.15            |
| 12/01/2018   | 5,476.00          | 2.000%   | 222.91           | 5,698.91            |
| 3/01/2019    | 5,503.00          | 2.000%   | 195.53           | 5,698.53            |
| 6/01/2019    | 5,531.00          | 2.000%   | 168.01           | 5,699.01            |
| 9/01/2019    | 5,558.00          | 2.000%   | 140.36           | 5,698.36            |
| 12/01/2019   | 5,586.00          | 2.000%   | 112.57           | 5,698.57            |
| 3/01/2020    | 5,614.00          | 2.000%   | 84.64            | 5,698.64            |
| 6/01/2020    | 5,642.00          | 2.000%   | 56.57            | 5,698.57            |
| 9/01/2020    | 5,671.00          | 2.000%   | 28.36            | 5,699.36            |
| <b>Total</b> | <b>375,000.00</b> | <b>-</b> | <b>80,911.64</b> | <b>455,911.64 *</b> |

\*Plus one-percent administrative fee of \$505.70 paid quarterly. Total fee paid over the life of the loan is \$40,456.

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of :

\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
THE TOWN OF MIDDLEBOURNE  
SEWER REVENUE REFUNDING BOND  
(UNION BANK OF TYLER COUNTY)  
SERIES 1999C

No. CR-1

\$120,000

Date: August 27, 1999

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MIDDLEBOURNE, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in Tyler County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the Union Bank of Tyler County (the "Bank") or registered assigns, the sum of One Hundred Twenty Thousand and 00/100 Dollars (\$120,000.00), plus interest on the unpaid principal balance hereof at a rate of five percent (5%) per annum. Principal on the Bond is payable in semiannual installments commencing January 1, 2000, and thereafter in semiannual installments on each January 1 and July 1, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal and interest on this Bond are 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 Union Bank of Tyler County, Middlebourne, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Bank is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole at par upon thirty (30) days prior written notice to the Bank.

This Bond is issued to redeem in full the outstanding principal balance and all accrued interest thereon represented by the Issuer's Sewer Revenue Bonds, Series 1973. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Article 13, Article 2E of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective on August 26, 1999

(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 Bond under the Ordinance.

This Bond is payable only from and secured by a parity pledge of the net revenues to be derived from the operation of the System, from moneys in the Series 1999C Bonds Reserve Account created under the Ordinance for the Bonds and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds (Rural Utilities Service), Series 1999A and Sewer Revenue Bonds (State Revolving Fund), Series 1999B. 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 Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999C Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Series 1999A Bonds and Series 1999B Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with such Bonds, provided however, that so long as there exists in the Series 1999C Bonds Reserve Account amounts at least equal to the maximum amount of principal and interest which will become due on this Bond as well as the Series 1999A and Series 1999B Bonds, in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, amounts at least equal to the requirements therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the 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.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books 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 duly authorized in writing.

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

All money received from the sale of this Bond shall be applied solely to the payment of the principal of and interest on the 1973 Bond, as 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 owner of this Bond.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BONDS (RURAL UTILITIES SERVICE), SERIES 1999A AND SEWER REVENUE BONDS (STATE REVOLVING FUND), SERIES 1999B, ISSUED CONCURRENTLY HERewith, OF THE ISSUER DESCRIBED IN THE ORDINANCE ENACTED WITH RESPECT TO SUCH 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 Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest 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 MIDDLEBOURNE 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 August 27, 1999.

THE TOWN OF MIDDLEBOURNE, WEST  
VIRGINIA

[SEAL]

By: Gayla Fisher  
Mayor

ATTEST:

Jamie Brown  
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999C Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: August 27, 1999

UNION BANK OF TYLER COUNTY

By:

*Angie L. Davis*

Its:

*Chairman*

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Assignor)

Witnessed in the presence of :

\_\_\_\_\_

# Exhibit A - Debt Service Schedule

09-01-1999

\*\* AMORTIZATION SCHEDULE \*\*

15:29:31

( Actual/365 )

Page 1

| Payment # | Date     | Interest | Principal   | Balance     |
|-----------|----------|----------|-------------|-------------|
| 27        | 08/27/99 | 5.000%   | \$120000.00 | \$120000.00 |
| 1         | 01/01/00 | 2087.67  | 4032.78     | 115967.22   |
| 2         | 07/01/00 | 2891.24  | 3229.21     | 112738.01   |
| YEAR      | 2000     | 4978.91  | 7261.99     | 112738.01   |
| 3         | 01/01/01 | 2841.62  | 3278.83     | 109459.18   |
| 4         | 07/01/01 | 2713.99  | 3406.46     | 106052.72   |
| YEAR      | 2001     | 5515.61  | 6685.29     | 106052.72   |
| 5         | 01/01/02 | 2678.11  | 3447.34     | 102605.38   |
| 6         | 07/01/02 | 2544.05  | 3576.40     | 99028.98    |
| YEAR      | 2002     | 5217.16  | 7023.74     | 99028.98    |
| 7         | 01/01/03 | 2496.07  | 3624.38     | 95404.60    |
| 8         | 07/01/03 | 2365.51  | 3754.94     | 91649.66    |
| YEAR      | 2003     | 4861.58  | 7379.32     | 91649.66    |
| 9         | 01/01/04 | 2310.07  | 3810.38     | 87839.28    |
| 10        | 07/01/04 | 2189.97  | 3930.48     | 83908.80    |
| YEAR      | 2004     | 4500.04  | 7740.86     | 83908.80    |
| 11        | 01/01/05 | 2114.96  | 4005.49     | 79903.31    |
| 12        | 07/01/05 | 1981.16  | 4139.29     | 75764.02    |
| YEAR      | 2005     | 4096.12  | 8144.78     | 75764.02    |
| 13        | 01/01/06 | 1909.67  | 4210.78     | 71553.24    |
| 14        | 07/01/06 | 1774.13  | 4346.32     | 67206.92    |
| YEAR      | 2006     | 3683.80  | 8557.10     | 67206.92    |
| 15        | 01/01/07 | 1693.98  | 4426.47     | 62780.45    |
| 16        | 07/01/07 | 1556.61  | 4563.84     | 58216.61    |
| YEAR      | 2007     | 3250.59  | 8990.31     | 58216.61    |
| 17        | 01/01/08 | 1467.38  | 4653.07     | 53563.54    |
| 18        | 07/01/08 | 1335.42  | 4785.03     | 48778.51    |
| YEAR      | 2008     | 2802.80  | 9438.10     | 48778.51    |
| 19        | 01/01/09 | 1224.49  | 4890.96     | 43887.55    |
| 20        | 07/01/09 | 1088.17  | 5032.28     | 38855.27    |
| YEAR      | 2009     | 2317.66  | 9923.24     | 38855.27    |
| 21        | 01/01/10 | 979.37   | 5141.08     | 33714.19    |
| 22        | 07/01/10 | 835.93   | 5284.52     | 28429.67    |
| YEAR      | 2010     | 1815.30  | 10425.60    | 28429.67    |
| 23        | 01/01/11 | 716.58   | 5403.87     | 23025.80    |
| 24        | 07/01/11 | 570.91   | 5549.54     | 17476.26    |
| YEAR      | 2011     | 1287.49  | 10953.41    | 17476.26    |
| 25        | 01/01/12 | 440.50   | 5679.95     | 11796.31    |
| 26        | 07/01/12 | 294.10   | 5826.35     | 5969.96     |
| YEAR      | 2012     | 734.60   | 11506.30    | 5969.96     |
| 27        | 01/01/13 | 150.48   | 5969.96     | 0.00        |
| YEAR      | 2013     | 150.48   | 5969.96     | 0.00        |

Payment Amount \$ 6120.45

Final Payment Amount \$ 6120.44

Payment Schedule Town of Middlebourne Sewer Revenue Refunding Bonds,  
Series 1999C