

\$2,172,800
TOWN OF OCEANA
WATER REVENUE AND REFUNDING BONDS, SERIES 1996
BOND ORDINANCE

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TOWN OF OCEANA

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF WATER REVENUE AND REFUNDING BONDS, SERIES 1996, OF THE TOWN OF OCEANA, IN THE AMOUNT OF \$2,172,800, TO REDEEM AND DEFEASE THE OUTSTANDING WATER REVENUE BONDS, SERIES 1972, OF THE TOWN OF OCEANA, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATER SYSTEM AND TO PAY THE COSTS OF ISSUANCE THEREOF; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BONDS; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is adopted pursuant to the provisions of Chapter 8, Article 19 and Chapter 13, Article 2E of the West Virginia Code of 1931, 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 Oceana (the "Town" or "Issuer") is a municipal corporation and political subdivision of the State of West Virginia located in Wyoming County, West Virginia.

B. The Issuer now has a public water system and desires to redeem certain existing indebtedness to remove burdensome covenants and to improve and expand the 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 water 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 water line extensions, pumps, pumping stations, water 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 and to pay the costs of issuance of revenue bonds to be issued to finance such improvements. 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 refund certain existing indebtedness and redeem its Water Revenue Bonds, Series 1972, currently held by General Electric Credit Corporation of which \$104,938.10 in principal is outstanding as of January 1, 1996, and to pay the costs of issuance related thereto.

D. It is therefore deemed necessary for the Issuer to issue its Water Revenue and Refunding Bonds in the total aggregate principal amount of not more than \$2,172,800 (the "Series 1996 Bonds") to redeem certain existing indebtedness and to finance costs of the construction and acquisition of the Project not otherwise provided for.

E. The estimated maximum cost of the construction of the Project is \$3,172,800, which will be obtained from a portion of the proceeds of sale of the Series 1996 Bonds herein authorized and from grants to be made by federal and state government programs. 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.

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

G. The Issuer has completed and filed with the West Virginia Water Development Authority (the "Authority" or "WDA") an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), and upon review thereof, the Authority has indicated its willingness to lend the Issuer \$2,172,800 through the purchase of revenue bonds of the Issuer with moneys held by the Authority, subject to the Issuer's satisfaction of certain legal and other requirements of the Program, hereinafter defined.

H. 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.

I. 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, 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 Project has been reviewed and approved by the Infrastructure Council.

J. It is in the best interests of the Issuer that the Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority or as shall be approved by a Supplemental Resolution.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, as hereinafter defined, 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 Owner of the Bond.

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

"Act" means Chapter 8, Article 19 and Chapter 13, Article 2E of the Code of West Virginia of 1931, as amended.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"1996 Bond" or "Series 1996 Bond" means the \$2,172,800 Water Revenue and Refunding Bonds authorized by this Ordinance.

"Bonds" means the Series 1996 Bonds authorized hereby to be issued.

"Code" means the Internal Revenue Code of 1986, as amended, and Regulations promulgated pursuant to the Code.

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

"Consulting Engineer" means Dunn Engineering, Inc, Charleston, 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.

"Depository Bank" means initially First Century Bank, N.A., Oceana, 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 "water facilities" means all the land and tangible properties of the System and also any tangible properties which may hereafter be added to the water 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.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees, as hereinafter defined.

"Herein" means in this Ordinance.

"Holder of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

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

"Loan Agreement" shall mean the Loan Agreement to be entered into between the Authority and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority, the form of which is hereby approved, and the execution and delivery by the Issuer is hereby authorized and directed.

"Mayor" means the Mayor of the Governing Body.

"Net Revenues" means the balance of the gross revenues 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 Bond and into the Series 1996 Bonds Reserve Account and Renewal and Replacement Fund 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.

"Paying Agent" means the bank or banks or other entity or authority designated as paying agent for the Bonds herein or in the Supplemental Resolution.

"Program" means the West Virginia Water Development Authority Act program, under which the Authority purchases the water revenue bonds of local governmental entities satisfying certain legal and other requirements with funds on deposit with the Authority pursuant to the provisions of Chapter 22C, Article 1 of the Code of West Virginia of 1931, as amended.

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

"Purchaser" means the West Virginia Water Development Authority, and any successor thereof.

"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 bond, 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 bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of 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 Board of Investments pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; 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.

"Refunding Fund Requirement" means the amount to be deposited in the Refunding Fund which is necessary to redeem and defease the Town of Oceana Water Revenue Bonds, Series 1972.

"Registrar" or "Bond Registrar" means First Century Bank, N.A., Bluefield, West Virginia, and any successor thereof.

"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.

"System" means the Project initially, and all existing water 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, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public water system; and shall also include any and all additions,

extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said water 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 REDEMPTION AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Redemption and Acquisition and Construction of the Project. There is hereby authorized the refunding of certain existing indebtedness and redemption of the Issuer's Water Revenue Bonds, Series 1972, of which \$104,938.10 in principal is outstanding as of January 1, 1996, and the acquisition and construction of the Project, at an estimated cost of \$3,172,800 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 IV hereof.

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 Oceana Water Revenue and Refunding Bonds, Series 1996" in the principal amount of \$2,172,800, are hereby authorized to be issued for the purpose of redeeming certain existing indebtedness of the Issuer, financing the cost of the construction and acquisition of the Project, paying capitalized interest on the Bonds for a period up to six (6) months after completion of construction on the Project and paying for Costs of the Project.

Section 3.02. Description of Bonds. The Bonds shall be issued as a registered form, No. R-1, and shall be dated on the date of delivery. The Bonds shall bear interest from date, payable monthly at a maximum rate of seven percent (7.00%) per annum and shall be sold for the par value thereof but in no event greater than seven percent (7.00%) per annum. It is expected that the actual interest rate established at closing will be less than the maximum rate described herein.

As long as the Authority is the Holder of the Bonds, the Issuer shall not authorize redemption of the Bonds without the written consent of the Authority and in compliance with the Loan Agreement.

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 Bond 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 Bond such person may not have held such office or may not have been so authorized.

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 either 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 a Bond 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, at no cost to the Authority. The Registrar shall require the payment by a 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 Bond.

Section 3.05. Registrar. The Bond 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 Issuer 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 Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond 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 Secured by Pledge of Revenues. The payment of the debt service of the Bonds shall be secured forthwith by a 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 Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.08. Form of Bond. 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:

[SPECIMEN BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF OCEANA
WATER REVENUE AND REFUNDING BONDS,
SERIES 1996

No. R-1

Date: _____, 1996 \$2,172,800

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF OCEANA, a municipality and political subdivision of the State of West Virginia, located in Wyoming 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 West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Two Million One Hundred Seventy-two Thousand Eight Hundred and 00/100 Dollars (\$2,172,800), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest due on each installment shall run from the original date of delivery of the Series 1996 Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199_. 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 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 First Century Bank, N.A., Bluefield, 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, but only with the written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and between the Issuer and the Authority, dated _____, 1996.

This Bond is issued (i) to refund and redeem certain outstanding indebtedness of the Issuer known as Town of Oceana Water Revenue Bonds, Series 1972; (ii) to pay the costs of construction of certain extensions, additions, betterments, and improvements to the existing public water facilities of the Issuer (the "Project"); (iii) to pay capitalized interest on the Bond during the construction of the Project and for a period of not more than six (6) months after completion; and (iv) to pay certain costs of issuance hereof and related costs. The existing water system of the Issuer, 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 8, Article 19 and Chapter 13, Article 2E of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an Ordinance duly adopted and enacted by the Issuer and effective August 22, 1996 (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 and from moneys in the Reserve Account created under the Ordinance for the Bonds (the "Series 1996 Bonds Reserve Account") and unexpended proceeds of the Bond. 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 1996 Bonds Reserve Account and unexpended Bond proceeds. 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, to pay principal and interest on the Bonds, 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, as hereinafter defined, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with this Bond or, if the Series 1996 Bonds Reserve Account is funded (whether by proceeds of the Bonds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any fiscal year, and any reserve account for such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the amount required in any fiscal year for debt service on the Bonds and any such prior or parity obligations. 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.

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 OCEANA 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 _____, 1996.

TOWN OF OCEANA

[SEAL]

By: _____
Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1996 Bond described in the within-mentioned Bond Ordinance and has been duly registered in the name of the registered owner set forth above.

Date: _____, 1996

FIRST CENTURY BANK, N.A.,
as Registrar

By: _____

Its: _____

Exhibit A
(Schedule of Annual Debt Service)

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

DATED: _____.

In the presence of:

Section 3.09. Sale of Bonds; Ratification of Execution of Loan Agreement with Authority; Incorporation of Terms. The Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance, the Mayor is specifically authorized and directed to execute the Loan Agreement in substantially the form 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 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 3.10. "Amended Schedule A" Filing. Within sixty (60) days following the 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 Project and sources of funds thereof.

Section 3.11. 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 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.

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with 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;
- (2) Construction Trust Fund; and
- (3) Renewal and Replacement Fund.

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

- (1) Refunding Fund; and
- (2) Series 1996 Bonds Sinking Fund;
 - (a) Within the Series 1996 Bonds Sinking Fund, the Series 1996 Bonds Reserve Account.

Section 4.03. Bond Proceeds; Construction Fund. From the moneys received from time to time the sale of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bonds, there shall first be paid any and all borrowing by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the

date of such payment, as well as the amount necessary to meet the Refunding Fund Requirement, as hereinafter defined.

B. From the proceeds of the Bonds, there shall next be deposited with the Commission in the Series 1996 Bonds Sinking Fund, the amount, if any, specified herein or in a Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Bonds for the period commencing on the date of the issuance of the Bonds and ending six (6) months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Bonds, there shall be deposited with the Commission in the Series 1996 Bonds Reserve Account the sum, if any, set forth herein or in a Supplemental Resolution for funding of the Series 1996 Bonds Reserve Account.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 4.04.

E. The Depository Bank shall act as a trustee and fiduciary for the Holder of the Bonds with respect to the Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth in this Ordinance. Moneys in the Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Bonds.

Section 4.04. Disbursements From the Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Construction Trust Fund, except for the costs of issuance of the Bonds, which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by the Mayor and the Consulting Engineer, 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 Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction Fund 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 Construction Trust Fund. The Consulting Engineer shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending application as provided in this Section 4.04, money and funds in the Construction Trust Fund shall be invested and reinvested at the direction of the Issuer, 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 Construction Trust Fund shall be deposited in the Series 1996 Bonds Reserve Account, unless the Series 1996 Bonds Reserve Requirement has been met, in which case the balance shall be deposited in the Series 1996 Bonds Sinking Fund.

Section 4.05. Bond Proceeds; Refunding Fund. At closing, \$108,800 (the "Refunding Fund Requirement") shall be deducted from the Bond proceeds and deposited upon receipt by the Issuer with the Commission in a special account hereby now established and designated as "Town of Oceana Water System Refunding Fund" (herein called the "Refunding Fund"). The moneys in the Refunding Fund shall be used by the Commission to redeem and defease the outstanding Town of Oceana Water Revenue Bonds, Series 1972 (the "1972 Bonds"), now held by General Electric Credit Corporation ("GECC"), on a date to be agreed upon between the Issuer and GECC. Upon defeasance of the 1972 Bonds, any moneys remaining in the Refunding Fund shall be returned by the Commission to the Issuer for payment of the costs of issuance of the Series 1996 Bonds with any remaining balance to be deposited in the Construction Trust Fund.

Section 4.06. Covenants of the Issuer as to Revenues and Funds. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1996 Bonds Reserve Account, a sum sufficient to pay, when due, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder 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 the Depository Bank, in a fund known as the "Revenue Fund" which is hereby established 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 transfer sufficient moneys from the Revenue Fund to pay all current Operating Expenses.

(2) The Issuer shall next, (i) on the first day of each month, commencing seven (7) months prior to the first date of payment of interest on the Series 1996 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1996 Bonds Sinking Fund, a sum equal to 1/6 of the amount of interest which will become due on said Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1996 Bonds Sinking Fund and the next semiannual interest payment date is less than seven (7) months, then such monthly payments shall be increased proportionately to provide, one (1) month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and (ii) on the first day of each month, commencing thirteen (13) months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1996 Bonds Sinking Fund and the next annual principal payment date is less than thirteen (13) months, then such monthly payments shall be increased proportionately to provide, one (1) month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing thirteen (13) months prior to the first date of payment of principal of the Series 1996 Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Reserve Account, an amount equal to 1/120 of the Series 1996 Bonds Reserve Requirement, which is the maximum amount of principal and interest which will become due on the Bonds in any year; provided, that no further payments shall be made into the Series 1996 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 1996 Bonds Reserve Requirement. All funds in the Series 1996 Bonds Reserve Account shall be kept separate and apart by the Commission from other funds of the Issuer and shall be invested and reinvested in Qualified Investments.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, 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 the Series 1996 Bonds Reserve Account. 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 Qualified Investments. 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 Series 1996 Bonds Reserve Account [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 with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1996 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Bonds as the same shall become due. Moneys in the Series 1996 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bonds, as the same shall come due when other moneys in the attendant Sinking Fund are insufficient therefore, and for no other purpose.

All investment earnings on moneys in the Series 1996 Bonds Sinking Fund and Series 1996 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Trust Fund, and following completion of construction 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 Series 1996 Bonds Reserve Account which result in a reduction in the balance of the Series 1996 Bonds Reserve Account to below the Series 1996 Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full to the Series 1996 Bonds Sinking Fund for payment of debt service on the Series 1996 Bonds.

As and when additional bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the sinking fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the reserve account in an amount equal to the maximum provided and required to be paid into the sinking fund in any year for account of the Bonds and 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 1996 Bonds Sinking Fund or into the Series 1996 Bonds Reserve Account therein when the aggregate amount of funds in said Sinking Fund and Reserve

Account are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Bond Ordinance then Outstanding and all interest to accrue until the maturity thereof.

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

The Series 1996 Bonds Sinking Fund, including the Series 1996 Bonds Reserve Account 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.

Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1996 Bonds Sinking Fund, including the Series 1996 Bonds Reserve Account therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues of the System. Surplus Revenues may be used for any lawful purpose of the System.

Whenever the money in the Series 1996 Bonds Reserve Account shall be sufficient to prepay the Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 1996 Bonds Reserve Account, and the Depository Bank is hereby designated as the Fiscal Agent for the administration of the Renewal and Replacement Fund, herein provided, and all amounts required for the Series 1996 Bonds Reserve Account and the Renewal and Replacement Fund 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 Authority 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 Series 1996 Bonds Reserve Account and the Renewal and Replacement 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 Board of

Investments. 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) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Commission and to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission and the Depository Bank then due.

(E) 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.

(F) 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.

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

ARTICLE V

ADDITIONAL COVENANTS OF THE ISSUER

Section 5.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article V. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Section 5.02. 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 of the Issuer to pay said Bonds or the interest thereon.

Section 5.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1996 Bonds issued hereunder shall be secured forthwith by a first lien on the Net Revenues derived from the operation of the System.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Series 1996 Bonds Sinking Fund, including the Series 1996 Bonds Reserve Account 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 5.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the existing rate ordinance of the Issuer adopted on _____, 1996, and to take effect upon completion of the Project.

Section 5.05. Sale of the System. Except as otherwise required by state law, or with the written consent of the Authority the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay all the Bonds, if any, Outstanding, or to effectively defease this Ordinance in accordance with Section 8.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Series 1996 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 Bonds. Any balance remaining after the payment of all the 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 resolution, 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 Renewal and Replacement 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 resolution 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 the Authority, be remitted by the Issuer to the Commission for deposit in the Series 1996 Bonds Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus three percent (3%) of such par value or otherwise. Such payment of such proceeds into the Series 1996 Bonds Sinking Fund or the Renewal and Replacement 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 the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution 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 5.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 5.06 and in Section 5.07B, and, so long as any of the Bonds are outstanding, the Issuer shall not issue any obligations 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 Series 1996 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1996 Bonds Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the 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.

Section 5.07. 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.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1996 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of 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 Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided 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 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 semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1996 Bonds. 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 Series 1996 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, or any provision of Section 5.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 5.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 5.08. Books and Records. 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 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 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 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 Bonds or other obligations outstanding.

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 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 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 Bond Legislation and that the Issuer's revenues are adequate to meet its expenses and debt service requirements.

The Issuer shall also, during construction of the Project and for two years following the completion of the Project, complete a Monthly Financial Report, as described in the Loan Agreement, and forward a copy by the 10th of each month to the Authority.

Section 5.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been 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. 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, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the reserve accounts or reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each year need only equal at least one hundred ten percent (110%) of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 5.04.

Section 5.10. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent Certified Public Accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 5.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 5.12. 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 of West Virginia.

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 5.13. 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 5.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 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 Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%) of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Worker's Compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 5.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 5.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 5.17. Tax Covenants. 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 (ii) and that, 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 said 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 said private business use, then said excess over said five percent (5%) or 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. SMALL ISSUER EXEMPTION FROM REBATE. The Issuer covenants that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds as defined in Section 141 of the Code) issued by the Issuer during the calendar year in which the Bonds are issued will not exceed \$5,000,000, determined in accordance with Section 148(f)(4)(C) of the Code. For purposes of this Section 5.17 and for purposes of applying Section 148(f)(4)(C) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this Section 5.17 and Section 148(f)(4)(C) of the Code to any other entity to which such entity is subordinate, be treated as issued by such other entity, and an entity formed (or, to the extent provided by the Mayor, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(C) of the Code and all other entities benefiting thereby shall be treated as one issuer.

D. 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.

E. 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.

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 5.18. Securities 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, annual operating related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, (240, 15c2-12)).

Section 5.19. 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 construction of the Project and operation of the System, and the Purchaser shall receive an opinion of counsel to the Issuer to such effect.

ARTICLE VI

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 6.01. 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 re-invested 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 6.01.

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 bond department and shall not be responsible for any losses from such investments, other than for its 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 6.02. 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 or shall refrain from taking any action, as shall be deemed necessary by the Authority (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 6.03. 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 payment of arbitrage rebate and other 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 calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder, and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 6.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 6.03 in accordance with the requirements of Section 148(f) of the Code of such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within fifteen (15) days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then 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. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.01. 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 the principal of or interest on any 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 Bond Legislation, 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 a Holder of a Bond; 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 7.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the 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 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 Bond, and (V) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Bond, or the rights of such Registered Owners.

Section 7.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the 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 in payment of principal of or interest on the Bonds 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 or both, as provided by law, 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 Bond 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 or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the 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 or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the 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 such 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 XIII

DEFEASANCE

Section 8.01. Defeasance of Series 1996 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Series 1996 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 Series 1996 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 Series 1996 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1996 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 Agents 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 Series 1996 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 Series 1996 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 Series 1996 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 Series 1996 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 Bond 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 IX

MISCELLANEOUS

Section 9.01. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any 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; provided, that no change shall be made in the maturity of any Bond 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 Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from gross income of the holders thereof.

Section 9.02. Ordinance Constitutes Contract. The provisions of the 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 the Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 9.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, a Supplemental Resolution or the Bond.

Section 9.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 9.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 9.06. 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 enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, 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 9.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 9.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this 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 Oceana, together with a notice stating that this 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 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 - July 25, 1996.

Passed on Second Reading - August 8, 1996.

Passed on Final Reading
Following Public Hearing - August 22, 1996.

TOWN OF OCEANA

By:

James Permitta
Mayor

[SEAL]
Attest:

By:

Shelene J. Cook
Recorder

CERTIFICATION

I, Sharlene J. Cook, Recorder of the Town of Oceana, hereby certify that the foregoing is a true and correct copy of an Ordinance approved at a meeting of the Town Council of the Town of Oceana held on August 22, 1996. 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 20th day of September, 1996.

Sharlene J. Cook
Recorder

Exhibit A

(Loan Agreement - See Tab 8)

A RESOLUTION SUPPLEMENTING THE BOND ORDINANCE ADOPTED BY THE COUNCIL OF THE TOWN OF OCEANA AND EFFECTIVE ON AUGUST 22, 1996, PROVIDING AS TO DATE, SERIES, INTEREST RATE, MATURITIES, SALE PRICE, REDEMPTION PROVISIONS AND OTHER TERMS OF THE WATER REVENUE AND REFUNDING BONDS, SERIES 1996, OF THE TOWN OF OCEANA; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; DESIGNATING THE DEPOSITORY BANK, BOND REGISTRAR AND PAYING AGENT IN CONNECTION WITH SAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Council of the Town of Oceana (the "Council"), West Virginia, (the "Town"), has duly and effectively adopted on August 22, 1996, an Ordinance entitled:

Ordinance Authorizing the Acquisition and Construction of Municipal Properties and Issuance of Water Revenue and Refunding Bonds, Series 1996, of the Town of Oceana, in the Amount of \$2,172,800, to Redeem and Defeas the Outstanding Water Revenue Bonds, Series 1972, of the Town of Oceana, to Finance the Acquisition and Construction of Certain Additions, Extensions and Improvements to the Existing Public Water System and to Pay the Costs of Issuance Thereof; Defining and Prescribing the Terms and Provisions of the Bonds; Placing Limit on Sale of System; Providing Generally for the Rights and Remedies and Security of the Holders of the Bonds; Providing Statutory Lien on Revenues and System; Approving and Ratifying a Loan Agreement Relating to Such Bonds; and Providing General Terms and Providing When this Ordinance Shall Take Effect;

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

WHEREAS, the Ordinance provides for the issuance of Water Revenue and Refunding Bonds, Series 1996 (the "Bonds") in the aggregate principal amount of \$2,172,800 of the Town, all in accordance with the Act, and the terms of the Loan Agreement to be entered into between the Town and the West Virginia Water Development Authority (the "Authority"), and in the Ordinance it is provided that the dates, series, interest rates, maturities, principal amounts, redemption provisions and other terms of the Bonds should be established by a supplemental resolution and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Council of the Town deems it essential and desirable that the Bonds be issued for the purposes of paying the costs, not otherwise provided, of refunding the Town's 1972 Water Revenue Bonds, acquisition and construction of the Project, and paying certain costs of issuance and related costs; and

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

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

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

(2) Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue and Refunding Bonds, Series 1996, in the aggregate principal amount of \$2,172,800 (the "Bonds"), all in the form set forth below and in the Ordinance:

The Bonds of the Town shall be originally issued in the form of a single bond, numbered R-1 and designated Series 1996, in the principal amount of \$2,172,300. The Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of six and one-quarter percent (6-1/4%) per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1996, shall be subject to redemption upon the written consent of the Authority, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds, and shall be payable in installments of principal on October 1 of each of the years from 1997 through 2035, inclusive, and in the amounts as set forth in "Schedule X," attached to the Loan Agreement and incorporated therein and herein by reference.

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

(4) The Town does hereby ratify, approve and accept the Loan Agreement, including the "Schedule X", a copy of which is

incorporated herein by reference, and the execution and delivery by the Mayor of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Town have been and are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value.

(5) The Town hereby appoints and designates First Century Bank, N.A., Oceana, West Virginia, as the Depository Bank for the Bonds.

(6) The Town hereby appoints and designates First Century Bank, N.A., Bluefield, West Virginia, as Registrar for the Bonds.

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

(8) The Town hereby directs that \$135,800 of the proceeds of the Bonds, representing capitalized interest, be placed in the Sinking Fund at the Commission.

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

(10) The undersigned James Pennington, duly elected Mayor of the Town, and the undersigned Sharlene J. Cook, duly elected Recorder of the Town, or other appropriate officers and employees of the Town, are hereby authorized and directed to perform all acts, conditions, things and procedures required to exist, to be performed or to be taken to execute and deliver the Bonds and are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Ordinance approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about September 20, 1996.

(11) The Town directs that \$83,428.95 of the proceeds of the Bonds be paid to GE Capital Asset Management which, together with \$18,918.17 already on deposit with the Commission, totals \$102,347.12 and constitutes an amount sufficient to defease the Town's 1972 Water Revenue Bonds which were issued in the original principal amount of \$194,000.

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

meaning of the Code. It will take all actions necessary to comply with the Code and the Regulations promulgated thereunder.

(13) The Town and all subordinate entities reasonably expect to issue less than \$5,000,000 in aggregate principal amount of tax-exempt bonds (other than private activity bonds) during the calendar year 1996, and the Town believes that it is excepted from the rebate requirement of Section 148(f) of the Code.

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

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

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

Resolution adopted September 12, 1996.

THE TOWN OF OCEANA, WEST VIRGINIA

[SEAL]

By:

James Permonster
Mayor

ATTEST:

Sharon J. Cook
Recorder

LOAN AGREEMENT

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

TOWN OF OCEANA
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

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

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

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

(b) Covenants substantially as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

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

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

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

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

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

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

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

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

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

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

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

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

Town of Oceana

[Proper Name of Governmental Agency]

(SEAL)

By: James Pennington

Its: Mayor

Attest:

Date: September 20, 1996

Sharon J. Cook

Its: Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Yarbush
Director

Attest:

Date: September 20, 1996

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

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

(the "Project").

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

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

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

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

ABB0017F

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 2,172,800
Purchase Price of Local Bonds \$ 2,172,800

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 6.25 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

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

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

1995 SERIES B LOCAL LOAN PROGRAM

West Virginia Water Development Authority
Town of Oceana
Debt Service Schedule
Closing September 20, 1996
Total Amount Borrowed: \$2,172,800

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
4/1/97	6.25%	-	72,049.44	72,049.44	
10/1/97	6.25%	10,211.20	67,900.00	78,111.20	150,160.64
4/1/98	6.25%	-	67,580.90	67,580.90	
10/1/98	6.25%	14,998.80	67,580.90	82,579.70	150,160.60
4/1/99	6.25%	-	67,112.19	67,112.19	
10/1/99	6.25%	15,936.20	67,112.19	83,048.39	150,160.58
4/1/00	6.25%	-	66,614.18	66,614.18	
10/1/00	6.25%	16,932.20	66,614.18	83,546.38	150,160.56
4/1/01	6.25%	-	66,085.05	66,085.05	
10/1/01	6.25%	17,990.50	66,085.05	84,075.55	150,160.60
4/1/02	6.25%	-	65,522.85	65,522.85	
10/1/02	6.25%	19,114.90	65,522.85	84,637.75	150,160.60
4/1/03	6.25%	-	64,925.51	64,925.51	
10/1/03	6.25%	20,309.60	64,925.51	85,235.11	150,160.62
4/1/04	6.25%	-	64,290.83	64,290.83	
10/1/04	6.25%	21,578.90	64,290.83	85,869.73	150,160.56
4/1/05	6.25%	-	63,616.49	63,616.49	
10/1/05	6.25%	22,927.60	63,616.49	86,544.09	150,160.58
4/1/06	6.25%	-	62,900.00	62,900.00	
10/1/06	6.25%	24,360.60	62,900.00	87,260.60	150,160.60
4/1/07	6.25%	-	62,138.73	62,138.73	
10/1/07	6.25%	25,883.10	62,138.73	88,021.83	150,160.56
4/1/08	6.25%	-	61,329.89	61,329.89	
10/1/08	6.25%	27,500.80	61,329.89	88,830.69	150,160.58
4/1/09	6.25%	-	60,470.49	60,470.49	
10/1/09	6.25%	29,219.60	60,470.49	89,690.09	150,160.58
4/1/10	6.25%	-	59,557.38	59,557.38	
10/1/10	6.25%	31,045.90	59,557.38	90,603.28	150,160.66
4/1/11	6.25%	-	58,587.19	58,587.19	
10/1/11	6.25%	32,986.20	58,587.19	91,573.39	150,160.58
4/1/12	6.25%	-	57,556.37	57,556.37	
10/1/12	6.25%	35,047.90	57,556.37	92,604.27	150,160.64
4/1/13	6.25%	-	56,461.13	56,461.13	
10/1/13	6.25%	37,238.40	56,461.13	93,699.53	150,160.66
4/1/14	6.25%	-	55,297.43	55,297.43	
10/1/14	6.25%	39,565.80	55,297.43	94,863.23	150,160.66
4/1/15	6.25%	-	54,060.99	54,060.99	
10/1/15	6.25%	42,038.60	54,060.99	96,099.59	150,160.58
4/1/16	6.25%	-	52,747.29	52,747.29	
10/1/16	6.25%	44,666.00	52,747.29	97,413.29	150,160.58
4/1/17	6.25%	-	51,351.48	51,351.48	

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
10/1/17	6.25%	47,457.70	51,351.48	98,809.18	150,160.66
4/1/18	6.25%	-	49,868.42	49,868.42	
10/1/18	6.25%	50,423.80	49,868.42	100,292.22	150,160.64
4/1/19	6.25%	-	48,292.68	48,292.68	
10/1/19	6.25%	53,575.20	48,292.68	101,867.88	150,160.56
4/1/20	6.25%	-	46,618.45	46,618.45	
10/1/20	6.25%	56,923.70	46,618.45	103,542.15	150,160.60
4/1/21	6.25%	-	44,839.59	44,839.59	
10/1/21	6.25%	60,481.40	44,839.59	105,320.99	150,160.58
4/1/22	6.25%	-	42,949.54	42,949.54	
10/1/22	6.25%	64,261.50	42,949.54	107,211.04	150,160.58
4/1/23	6.25%	-	40,941.37	40,941.37	
10/1/23	6.25%	68,277.80	40,941.37	109,219.17	150,160.54
4/1/24	6.25%	-	38,807.69	38,807.69	
10/1/24	6.25%	72,545.20	38,807.69	111,352.89	150,160.58
4/1/25	6.25%	-	36,540.65	36,540.65	
10/1/25	6.25%	77,079.30	36,540.65	113,619.95	150,160.60
4/1/26	6.25%	-	34,131.93	34,131.93	
10/1/26	6.25%	81,896.70	34,131.93	116,028.63	150,160.56
4/1/27	6.25%	-	31,572.65	31,572.65	
10/1/27	6.25%	87,015.30	31,572.65	118,587.95	150,160.60
4/1/28	6.25%	-	28,853.43	28,853.43	
10/1/28	6.25%	92,453.70	28,853.43	121,307.13	150,160.56
4/1/29	6.25%	-	25,964.25	25,964.25	
10/1/29	6.25%	98,232.10	25,964.25	124,196.35	150,160.60
4/1/30	6.25%	-	22,894.49	22,894.49	
10/1/30	6.25%	104,371.60	22,894.49	127,266.09	150,160.58
4/1/31	6.25%	-	19,632.88	19,632.88	
10/1/31	6.25%	110,894.80	19,632.88	130,527.68	150,160.56
4/1/32	6.25%	-	16,167.42	16,167.42	
10/1/32	6.25%	117,825.70	16,167.42	133,993.12	150,160.54
4/1/33	6.25%	-	12,485.37	12,485.37	
10/1/33	6.25%	125,189.90	12,485.37	137,675.27	150,160.64
4/1/34	6.25%	-	8,573.18	8,573.18	
10/1/34	6.25%	133,014.20	8,573.18	141,587.38	150,160.56
4/1/35	6.25%	-	4,416.49	4,416.49	
10/1/35	6.25%	141,327.60	4,416.49	145,744.09	150,160.58
		2,172,800.00	3,683,463.14	5,856,263.14	5,856,263.14

Average Coupon	6.250000%
TIC =	6.249753%
NIC =	6.250000%
Arbitrage Yield =	6.249753%
WAM =	27.124

SCHEDULE Y
REVENUES

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

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

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

SCHEDULE Z

Additional and Supplemental Definitions

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

2. "System" means the public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, a permit from the West Virginia Bureau of Public Health.

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

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid.

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

4. The paying agent for the Local Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

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

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;
- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and
- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

CERTIFICATE OF CONSULTING ENGINEER

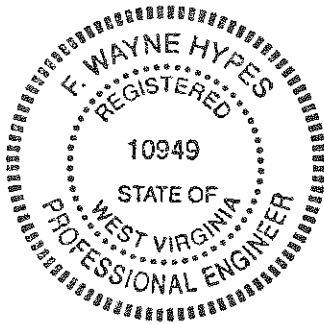
I, F. Wayne Hypes, Registered Professional Engineer, West Virginia License No. 10949 of Dunn Engineers, Inc., Consulting Engineers, Charleston, West Virginia, hereby certify that my firm is engineer for the acquisition and construction of certain additions, betterments and improvements to the water system (herein called the "Project") of the Town of Oceana (the "Issuer") to be constructed in Wyoming County, West Virginia, which construction is being permanently financed, in part, by the above-captioned bonds (collectively, 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 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996 (collectively, the "Ordinance"), and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority") dated September 20, 1996.

1. The Bonds are being issued for the purpose of refunding certain existing indebtedness and financing the costs 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 has been approved by all necessary governmental bodies, including the Public Service Commission of West Virginia ("PSC") which granted a Certificate of Public Convenience and Necessity for the Project on August 21, 1996, in Case No. 96-0297-W-CN, which became the final order of the PSC on September 10, 1996, the time for appeal of which had expired prior to the date hereof without appeal, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and my firm has ascertained that all contractors will make 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 Town Council of the Issuer are sufficient to comply with the

provisions of Subsection 4.1(b) (ii) of the Loan Agreement, (vi) that 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 (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 9 day of September, 1996.



DUNN ENGINEERS, INC.

By:

F. Wayne Hypes
Vice President

West Virginia License No. 10949

[SEAL]

DATE: September 20, 1996

AMENDED SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: Water Development Authority
TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

1.	Construction	\$ 2,464,698	
2.	Technical Services	\$ 251,000	
3.	Legal and Fiscal	\$ 35,000	
4.	Administrative	\$ 19,300	J.P.
5.	Site and Other Lands	\$ 48,000	
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: <u>Payoff of Existing Loan</u>)	\$ 83,428.95	
7.	Interim Financing Costs	\$	
8.	Contingency	\$ 126,073.05	
9.	Total of Lines 1 through 8		\$ 3,027,500

B. Sources of Funds

10.	Federal Grants: ¹ (Specify Source)	HUD, SCBG	\$ 750,000	
11.	State Grants: (Specify Source)	WV Leg. Digest	\$ 250,000	
			\$	
			\$	
			\$	
12.	Other Grants: (Specify Source)		\$	
			\$	
13.	Any Other Source ² (Specify)		\$	
			\$	
14.	Total of Lines 10 through 13			\$ 1,000,000
15.	Net Proceeds Required from Bond Issue (Line 9 less Line 14)			\$ 2,027,500

¹ Attach supporting documentation not previously submitted. If not yet available, state such and expectations as to availability.

² For example, interest earnings during construction, if applicable. Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation if available (if not yet available, state such and expectations as to availability).

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	\$ <u>135,800</u>	
17.	Funded Reserve Account ¹	\$ _____	
18.	Other Costs ⁴ (Bond Counsel)	\$ <u>9,500</u>	
19.	Total Cost of Financing (Lines 16 through 18)		\$ <u>145,300</u>
20.	Size of Bond Issue (Line 15 plus Line 19)		\$ <u>2,172,800</u>

Additional or explanatory material may be provided on additional sheets attached to Amended Schedule A.



SIGNATURE OF AUTHORIZED
OFFICER OF APPLICANT

James Pennington, Mayor
Town of Oceana



SIGNATURE OF ENGINEER

Bob Bragg, P. E.,
Dunn Engineers, Inc.

¹ Consult with bond counsel and the Authority before assuming a funded reserve.

⁴ For example, fees of bond counsel for the Governmental Agency.

Jeffrey S. Feamster
Certified Public Accountant
P.O. Box 121
Lewisburg, West Virginia 24901
304-647-5980

\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

CERTIFIED PUBLIC ACCOUNTANT'S CERTIFICATE #1693

Jeffrey S. Feamster, CPA, Certified Public Accountant, has reviewed the water service rates which were adopted by the Town of Oceana (the "Town"), pursuant to a Rate Ordinance adopted by the Town on September 12, 1996 (the "Rate Ordinance"). It is my opinion that the schedule of rates set forth in the Rate Ordinance are adequate to pay operation and maintenance expenses of the System, as defined in the Ordinance, hereinafter defined, to pay principal and interest on the Series 1996 Bonds (the "Bonds") issued by the Town, to pay the principal of and interest on the Bonds, and to meet the one hundred fifteen percent (115%) debt service coverage requirement as provided in the Ordinance adopted by the Town Council (the "Council") of the Town and effective on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996, and that such rates are sufficient to comply with the provisions of the Loan Agreement entered into between the Town and the West Virginia Water Development Authority on September 20, 1996.

WITNESS my signature as of this 20th day of September, 1996.



Jeffrey S. Feamster, CPA

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF OCEANA
WATER REVENUE AND REFUNDING BONDS,
SERIES 1996

No. R-1

\$2,172,800
Date: September 20, 1996

KNOW ALL MEN BY THESE PRESENTS, That the TOWN OF OCEANA, a municipality and political subdivision of the State of West Virginia, located in Wyoming 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 West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Two Million One Hundred Seventy Two Thousand Eight Hundred and 00/100 Dollars (\$2,172,800), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest due on each installment shall run from the original date of delivery of the Series 1996 Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1996. 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 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 First Century Bank, N.A., Bluefield, 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 with the written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and between the Issuer and the Authority, dated September 20, 1996.

This Bond is issued (i) to refund and redeem certain outstanding indebtedness of the Issuer known as Town of Oceana Water Revenue Bonds, Series 1972; (ii) to pay the costs of construction of certain extensions, additions, betterments, and improvements to the existing public water facilities of the Issuer (the "Project"); (iii) to pay capitalized interest on the Bond during the construction of the Project and for a period of not more than six (6) months after completion; and (iv) to pay certain costs of issuance hereof and related costs. The existing water system of the Issuer 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 8, Article 19 and Chapter 13, Article 2E of the West Virginia Code of 1931, as amended (collectively, the "Act"), and an Ordinance duly adopted and enacted by the Issuer and effective August 22, 1996, and a Supplemental Resolution adopted by the Issuer and effective on September 12, 1996 (collectively, the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the 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 and from moneys in the Reserve Account created under the Ordinance for the

Bonds (the "Series 1996 Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the 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 1996 Bonds Reserve Account and unexpended Bond proceeds. 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, to pay principal and interest on the Bonds, 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, as hereinafter defined, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with this Bond or, if the Series 1996 Bonds Reserve Account is funded (whether by proceeds of the Bonds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in any fiscal year, and any reserve account for such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the amount required in any fiscal year for debt service on the Bonds and any such prior or parity obligations. 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.

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 OCEANA 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 September 20, 1996.

TOWN OF OCEANA

[SEAL]

SPECIAL
By: James Harrington
Mayor

ATTEST:

Sharon J. Coda
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1996 Bond described in the within-mentioned Bond Ordinance and has been duly registered in the name of the registered owner set forth above.

Date: September 20, 1996

FIRST CENTURY BANK, N.A.
as Registrar

By:

Elizabeth M. Pruett
Corporate Trust Officer

West Virginia Water Development Authority
Town of Oceana
Debt Service Schedule
Closing September 20, 1996
Total Amount Borrowed: \$2,172,800

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
4/1/97	6.25%	-	72,049.44	72,049.44	
10/1/97	6.25%	10,211.20	67,900.00	78,111.20	150,160.64
4/1/98	6.25%	-	67,580.90	67,580.90	
10/1/98	6.25%	14,998.80	67,580.90	82,579.70	150,160.60
4/1/99	6.25%	-	67,112.19	67,112.19	
10/1/99	6.25%	15,936.20	67,112.19	83,048.39	150,160.58
4/1/00	6.25%	-	66,614.18	66,614.18	
10/1/00	6.25%	16,932.20	66,614.18	83,546.38	150,160.56
4/1/01	6.25%	-	66,085.05	66,085.05	
10/1/01	6.25%	17,990.50	66,085.05	84,075.55	150,160.60
4/1/02	6.25%	-	65,522.85	65,522.85	
10/1/02	6.25%	19,114.90	65,522.85	84,637.75	150,160.60
4/1/03	6.25%	-	64,925.51	64,925.51	
10/1/03	6.25%	20,309.60	64,925.51	85,235.11	150,160.62
4/1/04	6.25%	-	64,290.83	64,290.83	
10/1/04	6.25%	21,578.90	64,290.83	85,869.73	150,160.56
4/1/05	6.25%	-	63,616.49	63,616.49	
10/1/05	6.25%	22,927.60	63,616.49	86,544.09	150,160.58
4/1/06	6.25%	-	62,900.00	62,900.00	
10/1/06	6.25%	24,360.60	62,900.00	87,260.60	150,160.60
4/1/07	6.25%	-	62,138.73	62,138.73	
10/1/07	6.25%	25,883.10	62,138.73	88,021.83	150,160.56
4/1/08	6.25%	-	61,329.89	61,329.89	
10/1/08	6.25%	27,500.80	61,329.89	88,830.69	150,160.58
4/1/09	6.25%	-	60,470.49	60,470.49	
10/1/09	6.25%	29,219.60	60,470.49	89,690.09	150,160.58
4/1/10	6.25%	-	59,557.38	59,557.38	
10/1/10	6.25%	31,045.90	59,557.38	90,603.28	150,160.66
4/1/11	6.25%	-	58,587.19	58,587.19	
10/1/11	6.25%	32,986.20	58,587.19	91,573.39	150,160.58
4/1/12	6.25%	-	57,556.37	57,556.37	
10/1/12	6.25%	35,047.90	57,556.37	92,604.27	150,160.64
4/1/13	6.25%	-	56,461.13	56,461.13	
10/1/13	6.25%	37,238.40	56,461.13	93,699.53	150,160.66
4/1/14	6.25%	-	55,297.43	55,297.43	
10/1/14	6.25%	39,565.80	55,297.43	94,863.23	150,160.66
4/1/15	6.25%	-	54,060.99	54,060.99	
10/1/15	6.25%	42,038.60	54,060.99	96,099.59	150,160.58
4/1/16	6.25%	-	52,747.29	52,747.29	
10/1/16	6.25%	44,666.00	52,747.29	97,413.29	150,160.58
4/1/17	6.25%	-	51,351.48	51,351.48	

EXHIBIT

Exhibit A

Date	Coupon	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
10/1/17	6.25%	47,457.70	51,351.48	98,809.18	150,160.66
4/1/18	6.25%	-	49,868.42	49,868.42	
10/1/18	6.25%	50,423.80	49,868.42	100,292.22	150,160.64
4/1/19	6.25%	-	48,292.68	48,292.68	
10/1/19	6.25%	53,575.20	48,292.68	101,867.88	150,160.56
4/1/20	6.25%	-	46,618.45	46,618.45	
10/1/20	6.25%	56,923.70	46,618.45	103,542.15	150,160.60
4/1/21	6.25%	-	44,839.59	44,839.59	
10/1/21	6.25%	60,481.40	44,839.59	105,320.99	150,160.58
4/1/22	6.25%	-	42,949.54	42,949.54	
10/1/22	6.25%	64,261.50	42,949.54	107,211.04	150,160.58
4/1/23	6.25%	-	40,941.37	40,941.37	
10/1/23	6.25%	68,277.80	40,941.37	109,219.17	150,160.54
4/1/24	6.25%	-	38,807.69	38,807.69	
10/1/24	6.25%	72,545.20	38,807.69	111,352.89	150,160.58
4/1/25	6.25%	-	36,540.65	36,540.65	
10/1/25	6.25%	77,079.30	36,540.65	113,619.95	150,160.60
4/1/26	6.25%	-	34,131.93	34,131.93	
10/1/26	6.25%	81,896.70	34,131.93	116,028.63	150,160.56
4/1/27	6.25%	-	31,572.65	31,572.65	
10/1/27	6.25%	87,015.30	31,572.65	118,587.95	150,160.60
4/1/28	6.25%	-	28,853.43	28,853.43	
10/1/28	6.25%	92,453.70	28,853.43	121,307.13	150,160.56
4/1/29	6.25%	-	25,964.25	25,964.25	
10/1/29	6.25%	98,232.10	25,964.25	124,196.35	150,160.60
4/1/30	6.25%	-	22,894.49	22,894.49	
10/1/30	6.25%	104,371.60	22,894.49	127,266.09	150,160.58
4/1/31	6.25%	-	19,632.88	19,632.88	
10/1/31	6.25%	110,894.80	19,632.88	130,527.68	150,160.56
4/1/32	6.25%	-	16,167.42	16,167.42	
10/1/32	6.25%	117,825.70	16,167.42	133,993.12	150,160.54
4/1/33	6.25%	-	12,485.37	12,485.37	
10/1/33	6.25%	125,189.90	12,485.37	137,675.27	150,160.64
4/1/34	6.25%	-	8,573.18	8,573.18	
10/1/34	6.25%	133,014.20	8,573.18	141,587.38	150,160.56
4/1/35	6.25%	-	4,416.49	4,416.49	
10/1/35	6.25%	141,327.60	4,416.49	145,744.09	150,160.58
		2,172,800.00	3,683,463.14	5,856,263.14	5,856,263.14

Average Coupon	6.250000%
TIC =	6.249753%
NIC =	6.250000%
Arbitrage Yield =	6.249753%
WAM =	27.124

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto
the within Bond and does hereby ~~irrevocably~~ constitute and appoint
~~Attorney to transfer the said Bond on~~
the books kept for registration of the within Bond of the said Issuer with full
power of substitution in the premises.

DATED: _____.

In the presence of:

LOAN PROGRAM II
REQUISITION AS TO LOAN TO GOVERNMENTAL AGENCY

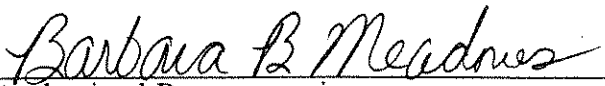
TO: One Valley Bank, National Association, Trustee

- A. Name of Governmental Agency to which payment is to be made: Town of Oceana, West Virginia
- B. Total Amount to be paid: \$2,172,800
- C. Certification by Water Development Authority.

I hereby certify that under the terms and provisions of the Loan Agreement providing for the Loan to the above-captioned Governmental Agency, dated as of September 20, 1996, said Governmental Agency has sold its Town of Oceana, West Virginia Water Revenue and Refunding Bonds, Series 1996 (the "Local Bond") to the Authority in the principal amount equal to the amount of the Loan set forth in (B) above, that such Governmental Agency is obligated to make Local Bond Payment and to pay Fees and Charges in accordance with Section 9.09 of the General Resolution and that such Governmental Agency is not in default under any of the terms or provisions of said Loan Agreement.

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

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



Authorized Representative
West Virginia Water Development Authority

DATE: September 20, 1996

ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto One Valley Bank National Association, Charleston, West Virginia, Town of Oceana, West Virginia Water Revenue and Refunding Bonds, Series 1996, numbered R-1, standing in the name of the West Virginia Water Development Authority on the books of registration of said Governmental Agency.

Dated: September 20, 1996

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Barbara B Meadows
Authorized Representative

CHASFS3:49488

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 20th day of September, 1996, by and between the TOWN OF OCEANA, a municipality and political subdivision of the State of West Virginia (the "Issuer"), and FIRST CENTURY BANK, N.A., a national banking association, having its principal office in Bluefield, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$2,172,800 aggregate principal amount of Water Revenue and Refunding Bonds, Series 1996, in fully registered form (the "Bonds"), pursuant to an Ordinance adopted by the Issuer and effective on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996 (collectively, the "Ordinance");

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

WHEREAS, the Ordinance provides for 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 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 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 Resolution 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 Oceana
Attention: Mayor
P.O. Box 190
Oceana, WV 24870

REGISTRAR: First Century Bank, N.A.
Attention: Trust Department
P.O. Box 1559
Bluefield, WV 24701-1559

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.

Exhibit A

See Ordinance (Tab No. 4).

IN WITNESS WHEREOF, the TOWN OF OCEANA and FIRST CENTURY BANK, N.A. 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.

TOWN OF OCEANA

By: James Pennington
Mayor

FIRST CENTURY BANK, N.A.

By: Elizabeth M. Puett
Corporate Trust Officer

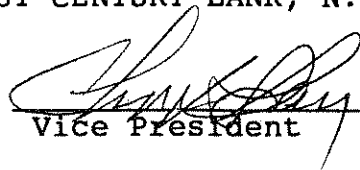
\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

First Century Bank, N.A., a national banking association, at its office located in Oceana, Wyoming County, West Virginia, hereby accepts appointment as Depository Bank in connection with an Ordinance of the Town of Oceana (the "Town"), duly adopted by the Town Council of the Town and effective on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996 (collectively, the "Ordinance"), authorizing issuance of the Town of Oceana, Water Revenue and Refunding Bonds, Series 1996, dated September 20, 1996, in the aggregate principal amount of \$2,172,800, and agrees to perform all duties of Depository Bank in connection with the Construction Fund, all as set forth in the Ordinance.

Witness my signature as of the 20th day of September, 1996.

FIRST CENTURY BANK, N.A.

By: 

Vice President

\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

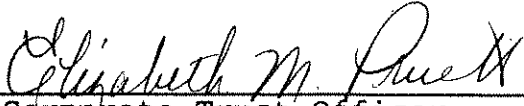
ACCEPTANCE OF DUTIES AS REGISTRAR

First Century Bank, a national banking association, with its principal office located in Bluefield, Mercer County, West Virginia, hereby accepts appointment as Registrar in connection with an Ordinance of the Town of Oceana (the "Town") duly adopted by the Town Council of the Town and effective on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996 (collectively, the "Ordinance"), authorizing issuance of the Town of Oceana, Water Revenue and Refunding Bonds, Series 1996, dated September 20, 1996, in the aggregate principal amount of \$2,172,800, and agrees to perform all duties of Registrar as set forth in the Ordinance.

Witness my signature as of the 20th day of September, 1996.

FIRST CENTURY BANK, N.A.

By:



Corporate Trust Officer

REQUEST AND AUTHORIZATION AS TO AUTHENTICATION
AND DELIVERY OF THE BOND

September 20, 1996

First Century Bank, N.A.
P.O. Box 1559
Bluefield, WV 24701-1559

Gentlemen:

We herewith hand to you, duly executed, \$2,172,800 Town of Oceana, Water Revenue and Refunding Bonds, Series 1996, in the form of one bond, numbered R-1 (the "Bonds") of the Town of Oceana (the "Town"), authorized to be issued under and pursuant to the Ordinance, duly adopted by the Town Council of the Town and effective on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996.

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, the original purchaser thereof, upon receipt by the Town of \$2,172,800, representing the entire proceeds of the Bonds.

TOWN OF OCEANA

By: James Pennington
Mayor

(SEAL)

Attest:

Sharon J. Cook
Recorder

\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

CERTIFICATE OF REGISTRATION OF BOND

I, Elizabeth M. Pruett, Corporate Trust Officer of First Century Bank, N.A., as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the Town of Oceana (the "Town") dated as of the date hereof, hereby certify that on the 20th day of September, 1996, the bond of the Town in the principal amount of \$2,172,800 designated "Town of Oceana Water Revenue and Refunding Bonds, Series 1996, and numbered R-1, dated as of the date hereof, was registered as to principal and interest in the name of "West Virginia Water Development Authority" 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 20th day of September, 1996.

FIRST CENTURY BANK, N.A.
as Registrar

By:

Elizabeth M. Pruett
Corporate Trust Officer

LAW OFFICES
GOODWIN & GOODWIN
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:

September 16, 1996

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

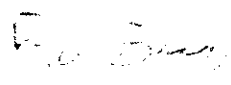
Re: \$2,172,800 Town of Oceana, Water Revenue and
Refunding Bonds, Series 1996

Dear Witter:

Please be advised that the Town of Oceana intends to issue its Water Revenue and Refunding Bonds, Series 1996, a portion of the proceeds of which, together with funds on deposit with the Bond Commission, will be used to refund the outstanding Water Revenue Bonds, Series 1972, dated December 6, 1972.

The Town of Oceana would like the Bond Commission to serve as Escrow Trustee. We have sent you draft copies of the proposed New Issue Report Form and Certificate of Defeasance relating to the refunding. We hope to close this issue on September 20, 1996. Please give me a call if you have any questions.

Sincerely yours,


William K. Bragg, Jr.

WKB:rdh

LAW OFFICES
GOODWIN & GOODWIN
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
304/372-2651

REPLY TO:

September 19, 1996

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

Re: \$2,172,800 Town of Oceana, Water Revenue and Refunding Bonds,
Series 1996

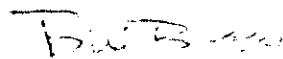
Dear Witter:

As bond counsel for the Town of Oceana (the "Issuer"), we wish to advise you that on September 20, 1996 (the "Settlement Date"), the Issuer will deliver the above-captioned revenue and refunding bonds (the "Series 1996 Bonds") to the purchaser thereof. A portion of the proceeds of the Series 1996 Bonds will be used to refund the Issuer's Water Revenue Bonds, Series 1972, dated December 6, 1972 (the "Prior Bonds"). On the Settlement Date the Issuer will deliver a check in the amount of \$83,428.95 to the West Virginia Municipal Bond Commission (the "Bond Commission"), as Escrow Trustee.

On the Settlement Date, the funds delivered to the Bond Commission and the funds already on deposit with the Bond Commission in the amount of \$18,918.17, totalling \$102,347.12, shall be sufficient to defease the Prior Bonds held by General Electric Capital Asset Management Corp. ("GECAM"). The transfer of \$102,347.12 to GECAM should be made on or before September 30, 1996. You are hereby authorized to apply \$102,347.12 to call the Prior Bonds. The transfer should be made pursuant to the instructions set forth on the Payoff Statement dated August 14, 1996, received from GECAM which is attached hereto and made a part hereof.

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

Sincerely yours,



William K. Bragg, Jr.

WKB:rdB

CERTIFICATE OF DEFEASANCE OF BONDS

I, R. Witter Hallan, Executive Director of the West Virginia Municipal Bond Commission, as Escrow Trustee (the "Commission"), hereby certifies that on September 20, 1996, the Commission received proceeds sufficient to defease all remaining debt service on the \$194,000 Town of Oceana, West Virginia, Water Revenue Bonds, Series 1972, dated as of December 6, 1972 (the "Bonds"). The total amount received was \$83,428.95 which, together with \$18,918.17 already on deposit with the Commission, totals \$102,347.12 and constitutes an amount sufficient to defease the Bonds which were issued in the original principal amount of \$194,000.00.

Accordingly, the Commission certifies as follows:

- (1) The Bonds issued by the Town of Oceana, West Virginia on December 6, 1972, have been defeased; and
- (2) The obligations of the Town of Oceana under the Ordinance adopted April 3, 1972, as amended by Ordinance adopted November 28, 1972, have been satisfied in full.

Given under my hand this 20th day of September, 1996.

WEST VIRGINIA MUNICIPAL BOND
COMMISSION

By: 
Executive Director

\$2,172,800
TOWN OF OCEANA
Water Revenue and Refunding Bonds,
Series 1996

NON-ARBITRAGE CERTIFICATE

I, James Pennington, Mayor of the Town of Oceana, Wyoming County, West Virginia (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of Water Revenue and Refunding Bonds, Series 1996, in the aggregate principal amount of \$2,172,800, dated September 20, 1996 (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 the officer of the Issuer 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 Issuer.

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

3. The Issuer 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 Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on September 20, 1996, 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 Issuer set forth herein are reasonable.

5. In the Ordinance pursuant to which the Bonds are issued, the Issuer 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 September 20, 1996, to West Virginia Water Development Authority ("WDA" or the "Purchaser"), for an aggregate purchase price of \$2,172,800 (100% of par).

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purpose of (i) refunding certain existing indebtedness of the Issuer and (ii) (a)

permanently financing the cost of acquisition and construction of certain additions, betterments and improvements to the existing water system of the Issuer (the "Project"); (b) to pay capitalized interest; and (c) paying costs of issuance and other costs in connection therewith.

8. The total cost of the Project is estimated at \$3,172,800. Sources and uses of funds for the Project are as follows:

SOURCES

Bond Proceeds	\$2,172,800.00
Small Cities Block Grant	750,000.00
WV Legislative Digest Grant	250,000.00
Total Sources	<u>\$3,172,800.00</u>

USES

Pay-Off of 1972 Bonds to GECC	\$83,428.95
Design, Acquisition, Administration and Construction of Project	2,944,071.05
Capitalized Interest	135,800.00
Costs of Issuance	9,500.00
Total Uses	<u>\$3,172,800.00</u>

The amount of Project costs is estimated to be greater than the gross proceeds of the Bonds. Except for the proceeds of the Bonds and the funds described above, no other funds of the Issuer 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:

- (1) Refunding Fund;
- (2) Revenue Fund;
- (3) Operation and Maintenance Fund;
- (4) Renewal and Replacement Fund;
- (5) Construction Fund; and
- (6) Series 1996 Bond Sinking Fund;
- (a) Within the Series 1996 Bonds Sinking Fund, the Series 1996 Bonds Reserve Account.

10. Pursuant to the Ordinance, a portion of the proceeds of the Series 1996 Bonds will be deposited in the Refunding Fund and the balance of the proceeds of the Series 1996 Bonds will be deposited in the Construction Fund 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 Revenue Fund 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. To the extent required, all investment earnings on moneys in the Reserve Fund will be annually withdrawn therefrom and deposited into the Construction Fund until completion of the Project, and thereafter will be deposited, not less than once each year, in the 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 1996 Bond Reserve Account, there are no other funds or accounts established or held by the Issuer 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 Issuer encounters financial difficulties. 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. Any amounts deposited in the Series 1996 Bond Reserve Account from time to time by the Issuer 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 Series 1996 Bond Reserve Account, not to exceed ten percent (10%) of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1996 Bond Reserve Account is required by the Purchaser, is vital to its purchase of the Bonds and is reasonably required to assure payments of debt service on the Bonds.

13. The Issuer has entered into a contract for the construction of the Project, and the amount to be expended pursuant to such contract exceeds 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. Acquisition, construction and equipping 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 on or before October 31, 1997. Construction of the Project is expected to be completed within thirteen (13) months.

14. The Issuer will comply with the provisions of the Code for which the effective date precedes the date of delivery of the Bonds to the Purchaser.

15. Any money deposited in the Revenue Fund for payment of the principal and interest on the Bonds 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 Revenue Fund will be spent within a 1-year period beginning on the date of receipt.

16. All the proceeds of the Bonds which were used for the payment of costs of the Project will be expended for such purposes within three (3) years from September 20, 1996.

17. The amounts designated as costs of issuance of the Bonds consist 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 Issuer 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 Issuer 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 Issuer.

23. The Issuer shall not permit at any time or times any of the proceeds of the Bonds, or any other funds of the Issuer, 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 "private activity bond" within the meaning of the Code. The Issuer will take all actions and refrain from taking such actions as shall be necessary to comply with the Code in order to ensure the interest on the Bonds is excludable from gross income for federal income tax purposes.

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 Issuer 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.

26. The Issuer shall comply with the yield restriction on the proceeds of the Bonds as set forth in the Code. The yield on the Bonds is six and 25/100 percent (6.25%).

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

28. The Issuer shall submit to WDA, within fifteen (15) days following the end of the Issuer's bond year, a certified copy of its rebate calculation, but if the Issuer qualifies for the small governmental issuer exception to rebate, or any other exception thereto, then the Issuer shall submit to WDA, a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

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

30. The Issuer 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. In addition, the Issuer has covenanted 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 has covenanted to take such actions, and refrain from taking such actions, as may be necessary to fully comply with Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolution authorizing issuance of the Bonds.

31. Goodwin & Goodwin 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.

32. The Issuer 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.

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

Dated this 20th day of September, 1996.

TOWN OF OCEANA

By: James Perrington
Mayor

LAW OFFICES

WILLIAM S. WINFREY, II

1608 MAIN STREET WEST

POST OFFICE BOX 1159

PRINCETON, W. VA. 24740

FILE NO.

TELEPHONE
304-487-1887

TELECOPIER
304-425-7340

September 17, 1996

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

Town of Oceana
P.O. Box 190
Oceana, WV 24870

RE: \$2,172,800 Town of Oceana, Water Revenue and
Refunding Bonds, Series 1996

Gentlemen:

As attorney for the Town of Oceana, Wyoming County, West Virginia (the "Issuer"), I have examined the record of proceedings relating to the issue of the Town of Oceana, Water Revenue and Refunding Bonds, Series 1996 (the "Bonds") and have considered the validity of the bond issue. In this connection I have examined and am familiar with the constitution and statutes of the State of West Virginia, including Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended, the Certificate of Incorporation of the Issuer, related minutes and a certified copy of the Ordinance and Supplemental Resolution passed by the Town Council (collectively, the "Ordinance"), a copy of the certificate of convenience and public necessity issued by the West Virginia Public Service Commission, the water rates necessary to pay for the Bonds as described in the Ordinance, copies of contracts and other documents relating to the funding and approval for the project by the Town Council, including, but not limited to, the construction contract, plans and specifications, other documents relating to the project, and other documents incidental and material to the issuance by the Issuer of the Bonds. From such familiarity and examination, I am of the opinion as follows:

1. The Issuer is a municipality and political subdivision of the State of West Virginia with full power and authority to construct and acquire and to operate and maintain the Water System and to issue and sale the Bonds, all under the provisions of Chapter 8, Article 19 (the "Act"), of the Code of West Virginia of 1931, as amended, and other applicable provisions of law.

2. The Issuer, through its Town Council, has legally and effectively adopted the Ordinance and has duly authorized the issuance and delivery of the Bonds to the West Virginia Water Development Authority, and the Mayor of the Issuer is duly and lawfully entitled to and authorized to execute the Bonds.

3. The Bonds constitute a valid and legally enforceable special obligation of the Issuer secured by and payable solely from a first lien on and pledge of the net revenue of the System as described in the Ordinance, all in accordance with the terms of the Bonds and the Ordinance.

4. The Issuer, through the Town Council, has legally and effectively adopted the Water rates necessary to make the payments on the Bonds for the rates described in the Ordinance, and it has lawfully enacted and has filed a tariff which has been approved by the West Virginia Public Service Commission for the water rates that are described within the Ordinance.

5. The Issuer has received, or there have been entered, all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, consents, certificates and approvals from the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of an ordinance prescribing such rates and charges. The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on August 21, 1996, in Case No. 96-0297-W-CN, among other things, granting to the Issuer a certificate of convenience and necessity for the Project, approving rates and charges for the services of the System, and consenting to the issuance of the Bonds and the financing for the Project. The time for appeal of the Final Order of the Public Service Commission of West Virginia expired prior to the date hereof. The Final Order is not subject to appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

6. The Issuer, through the Town Council, has legally and effectively adopted all other ordinances, resolutions, contracts and

West Virginia Water Development Authority
Town of Oceana
September 20, 1996
Page 3

agreements that are necessary to comply with all provisions of the Ordinance before the Bonds may be issued and delivered and so that the Bonds can, in fact, be lawfully issued and delivered.

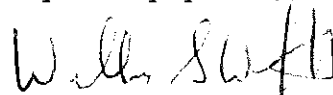
7. The execution and delivery of the Bonds and the enactment of the Ordinance and compliance with the provisions of them will not conflict with not constitute a breach of or default under any agreement or other instrument known to me to which the Issuer is a party, or any court order or consent decree known to me to which the Issuer is subject, or any law or administrative regulation to which the Issuer is subject.

8. All authorization, consents, approvals and reviews by government bodies or regulatory authorities then required for the Issuer's adoption, execution or performance of the Bonds, and the Ordinance have been obtained or affected, and I have no reason to believe that the Issuer will be unable to obtain or affect any additional such authorizations, consents or approvals that may be required in the future for performances of any to them by the Issuer.

9. To my knowledge, there is no action, suit, proceeding or investigation at law or in equity by any court, public board or body, pending or threatened against or affecting the Issuer or any member of the Town Council, and no facts exist relating to the composition of the Town Council or the exercise of their duties, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the validity of the Bonds or the Ordinance.

The foregoing opinion is qualified to the extent that the enforceability of the liens, pledges and terms set forth in the Bonds and in the Bond Ordinance may be limited by the bankruptcy, insolvency and other laws affecting the rights of creditors generally.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William S. Winfrey, II". The signature is written in a cursive, somewhat stylized script.

William S. Winfrey, II

WSW,II/als

LAW OFFICES
GOODWIN & GOODWIN
P.O. BOX 2107
1500 ONE VALLEY SQUARE
CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
TELECOPIER 304/344-8692

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

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

REPLY TO:

September 20, 1996

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, WV 25604

Town of Oceana
P.O. Box 190
Oceana, WV 24870

Re: \$2,172,800 Town of Oceana, Water Revenue and Refunding
Bonds, Series 1996

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of Water Revenue and Refunding Bonds, Series 1996, in the amount of \$2,172,800 (the "Bonds"), of the Town of Oceana (the "Issuer"), and a "Non-Arbitrage Certificate" executed by the Mayor of the Issuer on this date.

Based upon such Certificate, we are of the opinion that the facts, estimates and circumstances set forth therein 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. While we have undertaken no independent investigation or verification of the statements, expectations or representations set forth in such Certificate, no matters have come to our attention which make unreasonable or incorrect such statements, expectations or representations.

Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Bonds are not an "arbitrage bond" as so defined.

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West Virginia Water Development Authority
Town of Oceana
September 20, 1996
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The opinions set forth above are subject to the condition that the Issuer comply with all requirements of the Code relating to arbitrage that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Goodwin & Goodwin", with a long horizontal flourish extending to the right.

Goodwin & Goodwin

LAW OFFICES
GOODWIN & GOODWIN
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
304/372-2851

September 20, 1996

REPLY TO:

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

Re: \$2,172,800 Town of Oceana, Water Revenue and
Refunding Bonds, Series 1996

Gentlemen:

We are bond counsel to the Town of Oceana (the "Town"), a municipality and political subdivision of the State of West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated September 20, 1996, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Town and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of revenue bonds of the Town as described above, dated September 20, 1996 (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the aggregate principal amount of \$2,172,800, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1996, at the rate set forth in Exhibit A incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of redeeming certain existing indebtedness of the Town, expanding the Town's existing water system and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 8, Article 19 and Chapter 13, Article 2E of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and the Bond Ordinance

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West Virginia Water Development Authority
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duly adopted by the Town Council on August 22, 1996, and a Supplemental Resolution adopted and effective on September 12, 1996 (collectively, the "Local Act"), pursuant to and under which Act 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.

In connection with the issuance of the Local Bonds, the Town has executed a Non-Arbitrage Certificate, dated as of the date hereof (the "Non-Arbitrage Certificate"), which among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Local Bonds from gross income for federal income tax purposes, are and will continue to be met.

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 cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Town without the consent of the Authority.
3. The Town is a duly organized and presently existing municipality 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 Town has legally and effectively adopted the Local Act and all other necessary resolutions 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.

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5. The Local Bonds are valid and legally enforceable special obligations of the Town, 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 lien of the \$194,000 Town of Oceana Water Revenue Bonds, Series 1972 (the "Series 1972 Bonds") on the revenues pledged under the Bond Ordinance approved by the council of the Town on April 3, 1972 (the "1972 Bond Ordinance"), pursuant to which the Series 1972 Bonds were issued, has been defeased pursuant to the provisions of Section 6.04 of the 1972 Bond Ordinance.

7. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Local Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Local Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Town comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Local Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Local Bonds set forth in the Local Act and the Non-Arbitrage Certificate, and other certificates delivered in connection with the Local Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Local Bonds to be includable in gross income retroactive to the date of issuance of the Local Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Local Bonds.

8. The Local Bonds are, under the Act, exempt from direct taxation by the State of West Virginia, and other taxing bodies of the State, and the interest on the Local Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

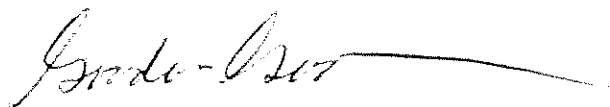
GOODWIN & GOODWIN

West Virginia Water Development Authority
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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 the executed and authenticated Local Bonds numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Goodwin & Goodwin", followed by a long horizontal flourish line.

Goodwin & Goodwin

WV MUNICIPAL BOND COMMISSION

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

NEW ISSUE REPORT FORM

Date of Report: Sept. 20, 1996
(See Reverse for Instructions)

ISSUE: \$2,172,800 Town of Oceana, Water Revenue and Refunding
Bonds, Series 1996

ADDRESS: P.O. Box 190
Oceana, WV 24870

COUNTY: Wyoming

PURPOSE: New Money ☒

OF ISSUE: Refunding ☒ Refunds issue dated: December 6, 1972

ISSUE DATE: September 20, 1996

CLOSING DATE: September 20, 1996

ISSUE AMOUNT: \$2,172,800

RATE: 6.25% (NIC)

1st DEBT SERVICE DUE: April 1, 1997 1ST PRINCIPAL DUE: Oct 1, 1997

1ST DEBT SERVICE AMOUNT: \$72,049.44 PAYING AGENT: Municipal
Bond Commission

BOND COUNSEL: Goodwin & Goodwin

LENDER'S COUNSEL: Jackson & Kelly

Contact Person: W. K. Bragg, Jr.

Contact Person: Samme L. Gee

Phone: 346-7000

Phone: 340-1318

REGISTRAR: First Century Bank, N.A. LENDER: WV Water Dev. Auth.

Contact Person: Byron K. Satterfield Contact Person: Daniel B.

Phone: 324-3235

Yonkosky

Phone: 558-3612

KNOWLEDGEABLE ISSUER CONTACT:

Contact Person: Sharlene J. Cook

Position: Recorder

Phone: 682-6231

DEPOSITS TO MBC AT CLOSE:

	Accrued Interest:	\$	
	☒ Capitalized Interest:	\$	135,800
By ☐ Wire	Reserve Account:	\$	
☒ Check	☒ Other: 1972 Rev. Fund	\$	83,428.95

REFUNDS & TRANSFERS BY MBC AT CLOSE:

	To Escrow Trustee:	\$	
By ☒ Wire	To Issuer:	\$	
☐ Check	To Cons. Invest. Fund:	\$	
☐ IGT	☒ Other: GECC	\$	102,347.12

Notes:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED:

TRANSFERS

REQUIRED: