

**CITY OF SALEM**

**WATER REVENUE BONDS, SERIES 2009 A; and  
WATER REVENUE BONDS, SERIES 2009 B  
(WEST VIRGINIA DWTRF PROGRAM/ARRA)**

**CONFORMED BOND ORDINANCE**

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## CITY OF SALEM

ORDINANCE AUTHORIZING A CONTRIBUTION IN AID OF CONSTRUCTION TO SUN VALLEY PUBLIC SERVICE DISTRICT FOR THE PURPOSE OF PAYING A PORTION OF THE COST OF A WATER LINE EXTENSION TO THE CITY OF SALEM, AND IN THE EVENT THAT SUFFICIENT FUNDS REMAIN THEREFORE, THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF SALEM OF NOT MORE THAN \$1,800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 A (WEST VIRGINIA DWTRF PROGRAM); AND NOT MORE THAN \$2,100,000 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 B (WEST VIRGINIA DWTRF PROGRAM/ARRA) PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A ARRA ASSISTANCE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SALEM:

### ARTICLE I

#### **STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS**

Section 1.01.      Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 19, Chapter 8, Article 23 and Chapter 16, Article 13 C of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

Section 1.02.      Findings. It is hereby found, determined and declared that:

A. The City of Salem (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State. The Issuer presently operates a water treatment and distribution system within its authorized service area:

B. Sun Valley Public Service District (the "District") is a public corporation and political subdivision of the State which operates a water distribution system in Harrison County.

C. The Issuer desires to discontinue the operation of its existing water treatment facility and commence purchasing treated potable water from the City of Clarksburg which shall be supplied in part pursuant to the water distribution system owned and operated by the District. However, in order for the District to supply such water to the Issuer, it will be necessary for the District to construct a water line extension to connect its existing water distribution system to that of the Issuer.

D. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that its existing water treatment facility be decommissioned, that the Issuer provide a contribution in aid of construction to the District in order to pay a portion of the costs to be incurred by the District in its undertaking the construction of a water line to serve the Issuer, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (collectively, the "Project") (the existing public waterworks system of the Issuer, together with any improvements thereto undertaken pursuant to the Project and any further additions, betterments and improvements thereto hereafter undertaken are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

E. The Issuer intends to permanently finance the costs of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Drinking Water Treatment Revolving Fund on behalf of the West Virginia Bureau for Public Health (the "BPH").

F. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, in the total aggregate principal amount of not more than \$3,900,000 in two or more series (collectively, the "Series 2009 Bonds") initially planned to be (i) the Water Revenue Bonds, Series 2009 A (West Virginia DWTRF Program) in the aggregate principal amount of not more than \$1,800,000 (the "Series 2009 A Bonds") and (ii) the Water Revenue Bonds, Series 2009 B (West Virginia DWTRF Program/ARRA) in the aggregate principal amount of not more than \$2,100,000 (the "Series 2009 B Bonds") to permanently finance a portion of the costs of acquisition and construction of the Project and pay the costs of issuance thereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2009 Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority including the Administrative Fee (as hereinafter defined) for the Series 2009 Bonds; discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2009 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable

costs prior to the issuance of the Series 2009 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project is not less than 32 years.

H. It is in the best interests of the Issuer that its Series 2009 A Bonds be sold to the Authority pursuant to the terms and provisions of an ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the BPH, and that the Series 2009 B Bonds be sold to the Authority pursuant to the terms of an ARRA Assistance Agreement by and between the Issuer and the Authority on behalf of the BPH both in the form satisfactory to the respective parties (the "ARRA Assistance Agreement") approved hereby if not previously approved by resolution of the Issuer.

I. On the Closing Date, there will be no outstanding obligations of the Issuer which will rank on a parity with the Series 2009 Bonds as to liens, pledge, source of and security for payment, or are secured by revenues or assets of the System.

J. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Series 2009 Bonds and to make payments into all funds and accounts and other payments provided for herein.

K. The Issuer has complied with all requirements of West Virginia law and the ARRA Assistance Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2009 Bonds, or will have so complied prior to issuance of any thereof. Prior to the issuance of the Series 2009 Bonds, the District will have obtained the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council (the "Council") and shall have obtained a Certificate of Public Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2009 Bonds or such final order will not be subject to appeal.

L. The Project has been reviewed and determined to be technically and financially feasible by the Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2009 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Series 2009 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

“Act” means, collectively, Chapter 8, Article 19 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

“Administrative Fee” means the Administrative Fee required to be paid pursuant to the ARRA Assistance Agreement for the Series 2009 Bonds.

“ARRA Assistance Agreement” means, the ARRA Assistance Agreement heretofore entered, or to be entered into by and between the Issuer and the Authority, on behalf of BPH, providing for the purchase of the Series 2009 Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

“Authority” means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2009 Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the BPH under the Act.

“Authorized Officer” means the Mayor or City Manager of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

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

“Bond Legislation,” “Ordinance,” “Bond Ordinance” or “Local Act” means this Bond Ordinance and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

“Bond Registrar” means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

“Bonds” means, collectively, the Series 2009 Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

“Bond Year” means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

“BPH” means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any successor thereto.

“City Clerk” means the City Clerk of the Issuer.

“City Manager” means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 2009 Bonds for all or a portion of the proceeds of the Series 2009 Bonds from the Authority.

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

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

"Consulting Engineers" means Thrasher Engineering, Inc., Clarksburg, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the District as Consulting Engineers for the Project, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

"DWTRF Regulations" means the DWTRF regulations set forth in the West Virginia Code of State Regulations, as amended from time to time.

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

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the City Council of the Issuer, as it may now or hereafter be constituted.

"Grants" means any grants committed to the Project.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, 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, purchased pursuant to Article 8.01 hereof), or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

“Independent Certified Public Accountants” means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

“Issuer” means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2009 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2009 Bonds Reserve Account.

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

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

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

“Parity Bonds” means Parity Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

“Paying Agent” means the Commission or such other entity or authority as may be designated as a Paying Agent by the Issuer in the Supplemental Resolution with the written consent of the Authority and the BPH.

"Project" means the Project as described in Section 1.02 D hereof.

"Qualified Investments" means and includes any of the following, unless otherwise set forth in the Supplemental Resolution:

- (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 evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; 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, 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 Investment Board of Treasury Investments pursuant to Chapter 12, Article 6C 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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by Section 5.01 herein.

"Reserve Accounts" means, collectively, the reserve accounts established for the Series 2009 Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any Reserve Account for the Series 2009 Bonds.

"Revenue Fund" means the Revenue Fund established by Section 5.01 herein.

"Series 2009 Bonds" means collectively the Series 2009 A Bonds and Series 2009 B Bonds.

"Series 2009 A Bonds" means the Water Revenue Bonds, Series 2009 A (West Virginia DWTRF Program), of the Issuer, authorized by this Bond Legislation.

"Series 2009 A Bonds Reserve Account" means the Series 2009 A Bonds Reserve Account established in Section 5.02 hereof.

"Series 2009 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2009 A Bonds in the then current or any succeeding year.

"Series 2009 A Bonds Sinking Fund" means the Series 2009 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2009 Bonds Construction Trust Fund" means the Series 2009 Bonds Construction Trust Fund which may be established pursuant to Section 5.01 hereof in the event that sufficient proceeds of the Series 2009 Bonds remain to construct improvements to the Issuer's System after considering the funds necessary to make a contribution in aid of construction to the District, fund the Reserve Accounts and pay costs of issuance of the Series 2009 Bonds as herein provided.

"Series 2009 B Bonds Reserve Account" means the Series 2009 B Bonds Reserve Account established in Section 5.02 hereof.

"Series 2009 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2009 B Bonds in the then current or any succeeding year.

"Series 2009 B Bonds Sinking Fund" means the Series 2009 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 2009 Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2009 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2009 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund, the Sinking Funds and the Reserve Accounts.

"System" means the existing waterworks system of the Issuer and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system.

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

"West Virginia DWTRF Program" means the West Virginia Drinking Water Treatment Revolving Fund Program established by the State, administered by BPH and funded by capitalized grants awarded to the State pursuant to the Federal Safe Drinking Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the acquisition, construction and improvement of drinking water projects.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

## **ARTICLE II**

### **AUTHORIZATION OF THE PROJECT**

Section 2.01.      Authorization of the Project. The Issuer hereby authorizes the undertaking of the Project in an amount not to exceed \$1,827,000. The Project shall be constructed in accordance with the plans, specifications and designs which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body of the District and the Issuer, or in accordance with the plans, specifications and designs prepared by a consulting engineer engaged by the Issuer, in the case of Project improvements to the Issuer's System. The proceeds of the Series 2009 A Bonds and the Series 2009 B Bonds, hereby authorized, shall be applied as provided in Article VI hereof. It is anticipated that the District will receive bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Authority and the BPH.

The total cost of the Project shall not exceed \$1,827,000, which amount shall be provided entirely from the proceeds of the Series 2009 Bonds.

### **ARTICLE III**

#### **AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF ARRA ASSISTANCE AGREEMENT**

**Section 3.01. Authorization of Bonds.** For the purposes of paying costs of the Project not otherwise provided for, funding the Reserve Accounts for the Series 2009 Bonds, if funded from bond proceeds, and paying certain costs of issuance of the Series 2009 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2009 Bonds of the Issuer. The Series 2009 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 2009 A (West Virginia DWTRF Program)", in the principal amount of not more than \$1,800,000, and "Water Revenue Bonds, Series 2009 B (West Virginia DWTRF Program/ARRA)", in the principal amount of not more than \$2,100,000 and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2009 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds), funding capitalized interest, if any, on the Series 2009 Bonds, and making the necessary contribution in aid of construction to the District, shall be deposited in or credited to the Series 2009 Bonds Construction Trust Fund established by Section 5.01 hereof. The proceeds of the Series 2009 Bonds which are necessary in order to make the contribution in aid of construction to the District will be disbursed from time to time as requisitioned by the Issuer.

**Section 3.02. Terms of Bonds.** The Series 2009 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the ARRA Assistance Agreement. The Series 2009 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2009 Bonds, if any, shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2009 Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2009 Bonds. The Series 2009 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall be dated and shall bear interest, if any, as specified in a Supplemental Resolution.

Section 3.03.      Execution of Bonds. The Series 2009 Bonds shall be executed in the name of the Issuer by its Mayor and City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed the Series 2009 Bonds shall cease to be such officer of the Issuer before the Series 2009 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 such Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04.      Authentication and Registration. No Series 2009 Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2009 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05.      Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2009 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2009 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2009 Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2009 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2009 Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of

the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2009 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2009 Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2009 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2009 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service on the Series 2009 Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2009 Bonds and to make all other payments hereinafter set forth, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2009 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2009 Bonds to the original purchasers upon receipt of the documents set forth below:

- A. If other than the Authority, a list of the names in which the Series 2009 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2009 Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. Executed copies of the ARRA Assistance Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2009 Bonds.

Section 3.10. Form of Bonds. The text of the Series 2009 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2009 A BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF SALEM  
WATER REVENUE BONDS, SERIES 2009 A  
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That on this the \_\_\_\_ day of \_\_\_\_\_, 2009, the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing \_\_\_\_\_ 1, 200\_\_, to and including \_\_\_\_\_ 1, 20\_\_ as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference, together with interest thereon payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing \_\_\_\_\_ 1, 20\_\_, to and including \_\_\_\_\_ 1, 20\_\_, at the rate per annum as set forth on said EXHIBIT B.

The Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing \_\_\_\_\_ 1, 200\_\_, as set forth on EXHIBIT B attached hereto.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated \_\_\_\_\_, 2009.

This Bond is issued (i) to provide a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and construction of additions, betterments and improvements to its existing public waterworks system, consisting of the District's project to construct a waterline extension to Jarvisville Road area, Shaws Run, Lake Floyd, Salem Fork and supply water to the City of Salem, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (the "Project"); and (ii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer and any further additions, betterments or improvements thereto are 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, Chapter 8, Article 23 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on \_\_\_\_\_, 2009, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2009 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 2009 B (WEST VIRGINIA DWTRF PROGRAM/ARRA) DATED \_\_\_\_\_, 2009, ISSUED SIMULTANEOUSLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_ (THE "SERIES 2009 B BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the Holders of the Series 2009 B Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2009 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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, if any, hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2009 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2009 B Bonds; provided however, that so long as there exists in the Series 2009 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a

parity with the Bonds, including the Series 2009 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, 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 Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, 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 Gross 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 Bond Legislation, 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.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the CITY OF SALEM has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated as of the day and year first written above.

[SEAL]

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2009 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: \_\_\_\_\_, 2009.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

\_\_\_\_\_  
Authorized Officer

EXHIBIT A  
RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-------------|---------------|-------------|
| (1) \$        |             | (19)          |             |
| (2)           |             | (20)          |             |
| (3)           |             | (21)          |             |
| (4)           |             | (22)          |             |
| (5)           |             | (23)          |             |
| (6)           |             | (24)          |             |
| (7)           |             | (25)          |             |
| (8)           |             | (26)          |             |
| (9)           |             | (27)          |             |
| (10)          |             | (28)          |             |
| (11)          |             | (29)          |             |
| (12)          |             | (30)          |             |
| (13)          |             | (31)          |             |
| (14)          |             | (32)          |             |
| (15)          |             | (33)          |             |
| (16)          |             | (34)          |             |
| (17)          |             | (35)          |             |
| (18)          |             | (36)          |             |

TOTAL \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto the  
\_\_\_\_\_  
within Bond and does hereby irrevocably constitute and appoint  
\_\_\_\_\_, Attorney to transfer 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: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

(FORM OF SERIES 2009 B BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF SALEM  
WATER REVENUE BONDS, SERIES 2009 B  
(WEST VIRGINIA DWTRF PROGRAM/ARRA)

No. BR-1

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That on this the \_\_\_\_ day of \_\_\_\_\_, 2009, the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing \_\_\_\_\_ 1, 20\_\_\_\_, to and including \_\_\_\_\_ 1, 20\_\_\_\_ as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. This Bond shall not be subject to the DWTRF Administrative Fee (as defined in the hereinafter describe Bond Legislation).

This Bond shall bear no interest. Principal installments of this Bond are forgivable quarterly as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated \_\_\_\_\_, 2009.

This Bond is issued (i) to provide a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and constructed of additions, betterments and improvements to its existing public waterworks system, consisting of the District's project to construct a waterline extension to Jarvisville Road area, Shaws Run, Lake Floyd, Salem Fork and supply water to the City of Salem, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (the "Project"); and (ii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer and any further additions, betterments or improvements thereto are 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, Chapter 8, Article 23 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on \_\_\_\_\_, 2009, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2009 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 2009 A (WEST VIRGINIA DWTRF PROGRAM) DATED \_\_\_\_\_, 2009 ISSUED SIMULTANEOUSLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_ (THE "SERIES 2009 A BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenue in favor of the Holders of the Series 2009 A Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2009 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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, if any, hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2009 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2009 A Bonds; provided however, that so long as there exists in the Series 2009 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a

parity with the Bonds, including the Series 2009 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, 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 Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, 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 Gross 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 Bond Legislation, 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.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the CITY OF SALEM has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated as of the day and year first written above.

[SEAL]

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2009 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: \_\_\_\_\_, 2009.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

\_\_\_\_\_  
Authorized Officer

EXHIBIT A  
RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-------------|---------------|-------------|
| (1) \$        |             | (19)          |             |
| (2)           |             | (20)          |             |
| (3)           |             | (21)          |             |
| (4)           |             | (22)          |             |
| (5)           |             | (23)          |             |
| (6)           |             | (24)          |             |
| (7)           |             | (25)          |             |
| (8)           |             | (26)          |             |
| (9)           |             | (27)          |             |
| (10)          |             | (28)          |             |
| (11)          |             | (29)          |             |
| (12)          |             | (30)          |             |
| (13)          |             | (31)          |             |
| (14)          |             | (32)          |             |
| (15)          |             | (33)          |             |
| (16)          |             | (34)          |             |
| (17)          |             | (35)          |             |
| (18)          |             | (36)          |             |

TOTAL \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney to transfer 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: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

Section 3.11.      Sale of Bonds; Approval and Ratification of Execution of ARRA Assistance Agreement. The Series 2009 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the ARRA Assistance Agreement. If not so authorized by previous ordinance or resolution, the Mayor and City Manager are specifically authorized and directed to execute the ARRA Assistance Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the ARRA Assistance Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The ARRA Assistance Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated in this Bond Legislation.

Section 3.12.      "Amended Schedule A" Filing. Upon completion of the Project, the Issuer will file with the Authority and the BPH a schedule the form of which will be provided by the BPH, setting forth the actual costs of the Project and sources of funds therefor.

#### **ARTICLE IV**

**[RESERVED]**

#### **ARTICLE V**

### **FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF**

Section 5.01.      Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank or the Issuer and from each other:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Series 2009 Bonds Construction Trust Fund

Section 5.02.      Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

- (1) Series 2009 A Bonds Sinking Fund;
- (2) Series 2009 A Bonds Reserve Account;

(3) Series 2009 B Bonds Sinking Fund; and

(4) Series 2009 B Bonds Reserve Account.

Section 5.03.      System Revenues; Flow of Funds.      A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Bond Legislation. All monies in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) commencing 4 months prior to the first date of payment of principal of the Series 2009 A Bonds for deposit in the Series 2009 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2009 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (ii) commencing 4 months prior to the first date of payment of principal of the Series 2009 B Bonds for deposit in the Series 2009 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2009 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission, commencing 4 months prior to the first date of payment of interest on the Series 2009 A Bonds for deposit in the Series 2009 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will mature and become due on the Series 2009 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) commencing 4 months prior to the first date of payment of principal of the Series 2009 A Bonds, if not fully funded upon issuance of the Series 2009 A Bonds, for deposit in the

Series 2009 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2009 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2009 A 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 2009 A Bonds Reserve Requirement; and (ii) commencing 4 months prior to the first date of payment of principal of the Series 2009 B Bonds, if not fully funded upon issuance of the Series 2009 B Bonds, for deposit in the Series 2009 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2009 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2009 B 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 2009 B Bonds Reserve Requirement.

(4) The Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay all current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. 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 as provided herein. 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 any 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 monies from the Renewal and Replacement Fund.

Monies in the Series 2009 A Bonds Sinking Fund and the Series 2009 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2009 Bonds as the same shall become due. Monies in the Series 2009 A Bonds Reserve Account and the Series 2009 B Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2009 Bonds as the same shall come due, when other monies in the Series 2009 A Bonds Sinking Fund and the Series 2009 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2009 A Bonds Sinking Fund, the Series 2009 B Sinking Fund, the Series 2009 A Bonds Reserve Account and the Series 2009 B 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 Series 2009 Bonds Construction Trust Fund, if established, and if not to the respective Sinking Fund, and following completion of construction of the Project, shall be deposited in the respective Sinking Funds and applied in full, first to the next ensuing interest payment, if any, due on the Series 2009 Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2009 A Bonds Reserve Account or the Series 2009 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the

respective Reserve Requirements, shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full in the priority as set forth above, all on a prorata basis.

As and when additional Bonds ranking on a parity with the Series 2009 Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2009 A Bonds Sinking Fund, the Series 2009 B Bonds Sinking Fund, the Series 2009 A Bonds Reserve Account or the Series 2009 B Bonds Reserve Account, when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2009 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2009 A Bonds and the Series 2009 B Bonds, in accordance with the principal amounts then outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2009 A Bonds Sinking Fund, the Series 2009 B Bonds Sinking Fund, the Series 2009 A Bonds Reserve Account and the Series 2009 B Bonds Reserve Account, created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

Monies in the Series 2009 A Bonds Sinking Fund, the Series 2009 B Bonds Sinking Fund, the Series 2009 A Bonds Reserve Account and the Series 2009 B Bonds Reserve Account, shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2009 A Bonds Sinking Fund, the Series 2009 A Bonds Reserve Account, the Series 2009 B Bonds Sinking Fund and the Series 2009 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2009 Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest, if any, and reserve payments with respect to the Series 2009 Bonds 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 Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the Administrative Fee as set forth in the Schedule Y attached to the ARRA Assistance Agreement for the Series 2009 A Bonds.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as herein above provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so

transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the ARRA Assistance Agreement, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this Section, the Issuer shall make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The monies in excess of the sum insured by the maximum amounts insured by FDIC in all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as herein above provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

## **ARTICLE VI**

### **BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS**

Section 6.01: Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2009 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2009 Bonds, there shall be deposited with the Commission in the respective Bonds Reserve Accounts, the amount, if any, set forth in the Supplemental Resolution for funding of the respective Bonds Reserve Account.

B. The Issuer shall requisition from BPH the remaining proceeds of the Series 2009 Bonds from time to time as necessary to pay costs of the Project, and such proceeds shall be deposited with the Depository Bank in the Series 2009 Bonds Construction Fund and thereupon

applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and, until so expended are hereby pledged as additional security for the Series 2009 Bonds.

C. After completely disbursing the contribution in aid of construction to the District, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2009 Bonds shall be expended on improvements to the Issuer's System as approved by the BPH.

Section 6.02. Disbursements from the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the BPH a report listing the specific purposes for which the net proceeds of the Series 2009 Bonds will be expended and the disbursement procedures for such proceeds. The Issuer will also provide an estimated monthly draw schedule for any Project improvements to its System. The District will supply the estimated monthly draw schedule for the Project improvements to its System. Payments for the costs of the Project improvements to the Issuer's System shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2009 Bonds Construction Trust Fund shall be made only after submission to and approval from the BPH, of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the ARRA Assistance Agreement as Exhibit B, in compliance with the Issuer's or the District's construction schedule, as applicable, and

(2) a certificate, signed by an Authorized Officer stating that:

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

(B) 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) Each of such costs has been otherwise properly incurred; and

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

Pending such application, monies in the Series 2009 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## **ARTICLE VII**

### **ADDITIONAL COVENANTS OF THE ISSUER**

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation 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 Series 2009 Bonds. In addition to the other covenants, agreements and provisions of

this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2009 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2009 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02.      Bonds not to be Indebtedness of the Issuer.      The Series 2009 Bonds shall not be nor constitute a corporate 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 Bond Legislation. No Holder or Holders of the Series 2009 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2009 Bonds, or the interest, if any, thereon.

Section 7.03.      Bonds Secured by Pledge of Gross Revenues.      The payment of the debt service on the Series 2009 Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2009 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04.      Initial Schedule of Rates and Charges.      The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the ARRA Assistance Agreement and the Issuer shall provide a certificate of certified public accountant to such effect. The initial schedule of rates and charges for the services of the facilities of the System shall be as set forth in the water rate ordinance of the Issuer enacted November 9, 2004, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2009 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the ARRA Assistance Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2009 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the ARRA Assistance Agreement, the Issuer 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 and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the ARRA Assistance Agreement.

Section 7.05.      Sale of the System.      The Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except with the written consent of the Authority and the BPH. So long as the Series 2009 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the BPH, 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 fully pay all the Bonds Outstanding, in accordance with Article X hereof. The proceeds from any such sale,

mortgage, lease or other disposition of the System shall, with respect to the Series 2009 Bonds, immediately be remitted to the Commission for deposit in the Series 2009 A Bonds Sinking Fund and the Series 2009 B Bonds Sinking Fund respectively on a pro rata basis with respect to the principal amount of each of the Bonds then outstanding 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 of and interest, if any, on the Series 2009 A Bonds and the Series 2009 B Bonds in accordance with Article X hereof. Any balance remaining after the payment of the Bonds and interest, if any, 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 is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, 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 shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, in writing, 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 in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of \$10,000 and not in excess of \$50,000, shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

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 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 of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other 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 Series 2009 Bonds. All obligations issued by the Issuer after the issuance of the Series 2009 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 2009 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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 Series 2009 Bonds, and the interest, if any, thereon, upon any of the income and revenues of the System pledged for payment of the Series 2009 Bonds and the interest, if any, thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the BPH prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project, or any other obligations related to the Project or the System.

Section 7.07.      Parity Bonds. No additional Parity Bonds payable out of the revenues of the System, shall be issued after the issuance of the Series 2009 Bonds pursuant to this Ordinance, without the prior written consent of the Authority and the BPH and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereafter shall be on a parity in all respects with the Series 2009 Bonds.

No Parity Bonds shall be issued except for the purposes of financing the costs of design, acquisition and construction of additions, betterments or improvements to the System or refunding the Bonds issued pursuant hereto, or both such purposes.

No such Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 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 Bond Legislation 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 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 enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such Parity Bonds and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the City Clerk of the Issuer prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period herein above 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 Independent Certified Public Accountants, as stated in a certificate filed with the City Clerk, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

All the covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2009 Bonds and the Holders of any Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the revenues of the System of which is subject to the prior and superior lien of the Series 2009 Bonds on such revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Net Revenues remaining after all payments required to be made in accordance with this Bond Legislation have first been paid. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such revenues, with the Series 2009 Bonds except in the manner and under the conditions provided in this section.

No Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation on account of the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of issuance of the Parity Bonds and the Issuer is then in full compliance with all the covenants, agreements and terms of this Bond Legislation and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments.

Section 7.08.      Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the BPH, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the BPH such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the BPH, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times 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.

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 Bond Legislation 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 Issuer. The Issuer 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 Issuer shall be reported to such agent of the Issuer as the Issuer shall direct.

The Issuer shall file with the Authority and the BPH, or any other original purchaser of the Series 2009 Bonds, and shall mail in each year to any Holder or Holders of the Series 2009 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 Bond Legislation and the status of all said funds and accounts.

(C) The amount of any bonds, notes 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 to the extent legally required in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or any successor thereof), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2009 Bonds and shall submit the report to the Authority and the BPH, or any other original purchaser of the Series 2009 Bonds. Such audit report submitted to the Authority and the BPH shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the ARRA Assistance Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the ARRA Assistance Agreement and the Act, the Issuer 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 any Project improvements to its System in accordance with the plans, specifications and designs prepared by the Consulting Engineers. 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 Issuer.

The Issuer shall permit the Authority and the BPH, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Authority and the BPH, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the BPH with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2009 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the City Clerk of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, 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 or schedules 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 Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2009 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2009 Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirement are on deposit respectively in the Series 2009 A Bonds Reserve Account and Series 2009 B Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2009 Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2009 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2009 Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance currently in effect.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Issuer that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and

maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the BPH within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, 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 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the BPH and to any Holder of any Bonds 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 the Authority, the BPH and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the ARRA Assistance Agreement, and forward a copy of such report to the Authority and the BPH by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the ARRA Assistance Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the BPH, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the BPH is sufficient to pay the costs of acquisition and construction of the Project, all permits required by federal and state laws for construction of the Project have been obtained and the District has received bids or entered into contracts for the construction of the Project in an amount and otherwise compatible with the financing plan submitted to the Authority and BPH.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Authority and the BPH covering the supervision and inspection of the development and construction of the Project improvements to its System 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 engineer shall certify to the Authority, the BPH and the Issuer at the completion of construction that construction of the Project improvements to the Issuer's System is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The District shall provide such certificates of the Consulting Engineers with respect to the Project improvements to its System.

The Issuer shall require the Consulting Engineers to submit As-Built Plans, as defined in the DWTRF Regulations. The District shall have an identical requirement with respect to the Project improvements to its System. The Issuer shall notify the BPH in writing of such receipt.

The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and Federal standards. The Issuer shall employ qualified operating personnel properly certified by the State before the Project improvements to its System are 50% complete and shall retain such a certified operator to operate the System during the entire term of the ARRA Assistance Agreement. The Issuer shall employ qualified operating personnel properly certified by the State.

Section 7.12.      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 7.13.      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 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 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 until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14.      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 either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2009 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 greater of the fair appraised value or 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. In the event of any damage to or destruction of any portion of the System, the proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair or reconstruction of such damages or destroyed portion or for the other purposes provided herein for the 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 ARRA Assistance 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 prime contractor 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) WORKER'S 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 not less than 100% of the amount of any construction contract and to be required of each contractor dealing 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 any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

(4) FIDELITY BONDS will be provided as to every officer and employee of the Issuer having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

(5) FLOOD INSURANCE, if the System facilities are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

B. The Issuer shall require all contractors engaged in the construction of the Project improvements to the Issuer's System to furnish a performance bond and a payment bond, each in an amount equal to 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. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project improvements to the Issuer's System to carry such worker's compensation coverage for all employees working on the Project improvements to its System 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 improvements to its System; provided that the amounts and terms of such coverage are satisfactory to the Authority and the BPH, and the Issuer shall verify such insurance prior to commencement of construction. In the event the ARRA Assistance 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 7.16. 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 7.17. Completion of Project; Permits and Orders. The Issuer will complete the Project improvements to its System as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project improvements to its System, all orders and approvals from the Public Service Commission of West Virginia and the BPH necessary for the acquisition and construction of the Project improvements to its System and the operation of the System and all approvals for the issuance of the Series 2009 Bonds required by State law, with all appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Compliance with ARRA Assistance Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the ARRA Assistance Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the BPH with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the BPH or other state,

federal or local bodies in regard to the acquisition and construction of the Project improvements to its System and the operation, maintenance and use of the System.

Section 7.19. [RESERVED]

Section 7.20. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Contracts; Change Orders; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2009 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of any Project improvements to its System.

B. The Issuer shall submit all proposed change orders to the BPH for written approval. The Issuer shall obtain the written approval of the BPH before expending any proceeds of the Series 2009 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the BPH before expending any proceeds of the Series 2009 Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the BPH and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

Section 7.22. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2009 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2009 Bonds.

## **ARTICLE VIII**

### **INVESTMENT OF FUNDS**

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies 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 investment or trust 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, or more often as reasonably requested by the Issuer, 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 Series 2009 Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2009 Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2009 Bonds as a condition to issuance of the Series 2009 Bonds.

In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2009 Bonds as may be necessary in order to maintain the status of the Series 2009 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2009 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the BPH, as the case may be, from which the proceeds of the Series 2009 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the BPH, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

The Issuer shall annually furnish to the Authority, information with respect to the Issuer's use of the proceeds of the Series 2009 Bonds and any additional information requested by the Authority.

## **ARTICLE IX**

### **DEFAULT AND REMEDIES**

**Section 9.01.**      **Events of Default.** Each of the following events shall constitute an "Event of Default" with respect to the Series 2009 Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any Series 2009 Bonds;
- (2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2009 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2009 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent 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 9.02.**      **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 Bond Legislation 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 Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners.

**Section 9.03.**      **Appointment of Receiver.** Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project improvements to the Issuer's System and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation 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 Bond Legislation 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 Bond Legislation 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 herein above 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 Bonds. 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 completion of the Project improvements to the Issuer's System and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

## **ARTICLE X**

### **PAYMENT OF BONDS**

Section 10.01.      Payment of Bonds.      If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2009 Bonds, the principal of and interest, if any, due or to become due thereon, if any, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2009 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2009 Bonds from gross income for federal income tax purposes.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2009 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2009 Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2009 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2009 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2009 Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2009 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 Series 2009 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation 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 Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. 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, the Supplemental Resolution or the Series 2009 Bonds.

Section 11.04. 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 11.05. Notices. All notices to be sent to the Issuer, the Authority or the BPH shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:

City of Salem  
Post Office Box 352  
Salem, West Virginia 26426  
Attention: City Manager

AUTHORITY:

Water Development Authority  
180 Association Drive  
Charleston, West Virginia 25311-1571  
Attention: Director

BPH:

West Virginia Bureau for Public Health  
One Davis Square, Suite 200  
Charleston, West Virginia 25301  
Attention: Environmental Engineering

All notices to be sent to the BPH hereunder, shall also be sent to the Authority.

Section 11.06. 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 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, City Manager, the City Clerk 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 11.08. 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 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Exponent Telegram*, a newspaper of general circulation in the City of Salem, there being no newspaper published therein, 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 Governing Body upon a date certain, not less than ten 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 this 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.

Section 11.09 Effective Date. This Ordinance shall take effect 30 days following the public hearing hereon.

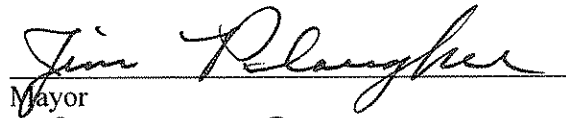
Passed on First Reading: September 8, 2009

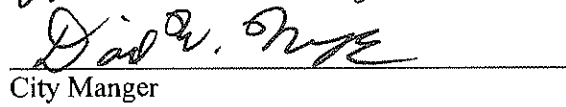
Passed on Second Reading:

September 22, 2009

Passed on Final Reading  
Following Public  
Hearing:

October 13, 2009

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Manger

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF SALEM on the 13<sup>th</sup> day of October, 2009.

Dated: January 14, 2010.

[SEAL]

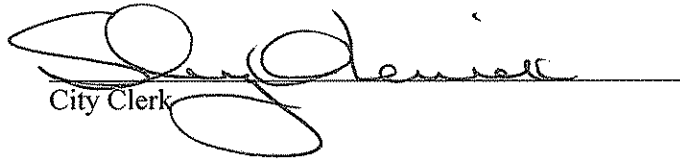
  
City Clerk

EXHIBIT A

ARRA Assistance Agreement included in bond transcript as Document 3

CITY OF SALEM

Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS SERIES 2010 A (WEST VIRGINIA DWTRF PROGRAM), AND WATER REVENUE BONDS, SERIES 2010 B (WEST VIRGINIA DWTRF PROGRAM/ARRA) OF THE CITY OF SALEM; APPROVING AND RATIFYING THE ARRA ASSISTANCE AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING THE RECEIPT BY THE ISSUER OF A GRANT FROM THE INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL AND THE APPLICATION OF THE PROCEEDS OF SUCH GRANT TO THE PAYMENT OF PROFESSIONAL SERVICE FEES INCURRED IN CONNECTION WITH THE PROJECT AND IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS; APPROVING A CONFORMED BOND ORDINANCE; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the City of Salem (the "Issuer") has duly and officially adopted and enacted a bond ordinance, effective October 13, 2009 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING A CONTRIBUTION IN AID OF CONSTRUCTION TO SUN VALLEY PUBLIC SERVICE DISTRICT FOR THE PURPOSE OF PAYING A PORTION OF THE COST OF A WATER LINE EXTENSION TO THE CITY OF SALEM, AND IN THE EVENT THAT SUFFICIENT FUNDS REMAIN THEREFORE, THE ACQUISITION AND

CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF SALEM OF NOT MORE THAN \$1,800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 A (WEST VIRGINIA DWTRF PROGRAM); AND NOT MORE THAN \$2,100,000 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2009 B (WEST VIRGINIA DWTRF PROGRAM/ARRA); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A ARRA ASSISTANCE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Ordinance when used herein;

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) in an aggregate principal amount not to exceed \$1,800,000 (the "Series 2010 A Bonds") and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA) in an aggregate principal amount not to exceed \$2,100,000 (the "Series 2010 B Bonds" and together with the Series 2010 A Bonds, the "Series 2010 Bonds"), and has authorized the execution and delivery of the ARRA Assistance Agreement relating to the Series 2010 Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health for the Series 2010 A Bonds and Series 2010 B Bonds (the "ARRA Assistance Agreement"), all in accordance with Chapter 8, Article 19 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), and in the Bond Ordinance it is provided that the form of the ARRA Assistance Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Series 2010 Bonds should be established by a supplemental resolution pertaining to the Series 2010 Bonds; and that other matters relating to the Series 2010 Bonds be herein provided for;

WHEREAS, the ARRA Assistance Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Series 2010 Bonds are proposed to be purchased by the Authority pursuant to the ARRA Assistance Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the ARRA Assistance Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates and the sale price of the Series 2010 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2010 Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SALEM:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$900,000. The Series 2010 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2041, and shall bear no interest. The principal of the Series 2010 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2011, to and including June 1, 2041, and in the amounts as set forth in the "Schedule Y" attached to the ARRA Assistance Agreement and incorporated in and made a part of the Series 2010 A Bonds. The Series 2010 A Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, and upon payment of the redemption premium, if any, and otherwise in compliance with the ARRA Assistance Agreement, so long as the Authority shall be the registered owner of the Series 2010 A Bonds. The Series 2010 A Bonds are not subject to an administrative fee.

B. Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$927,000. The Series 2010 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2021, and shall bear no interest. The principal of the Series 2010 B Bonds shall be 100% forgiven as set forth in ARRA Assistance Agreement. The Series 2010 B Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, and upon payment of the redemption premium, if any, and otherwise in compliance with the ARRA Assistance Agreement, so long as the Authority shall be the registered owner of the Series 2010 B Bonds. The Series 2010 B Bonds are not subject to an administrative fee.

Section 2. In accordance with Section 11.01 of the Bond Ordinance, the Issuer hereby approves certain amendments to the Bond Ordinance in order that the revised Bond Ordinance shall read as set forth in the Conformed Bond Ordinance which is attached hereto as Exhibit B. In addition, pursuant to Section 11.01 of the Bond Ordinance the series designations for the bonds which are set forth in the Bond Ordinance are hereby changed from Water Revenue Bonds, Series 2009 A (West Virginia DWTRF Program) and Water Revenue Bonds, Series 2009 B

(West Virginia DWTRF Program/ARRA), to Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA) in order to reflect the issuance of the bonds in 2010 rather than 2009.

Section 3. All other provisions relating to the Series 2010 Bonds and the text of each series of the Series 2010 Bonds shall be in substantially the form provided in the Bond Ordinance.

Section 4. The Issuer does hereby authorize, approve, ratify and accept the ARRA Assistance Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the ARRA Assistance Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the ARRA Assistance Agreement and in the applications to the Authority and the BPH. The price of the Series 2010 Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2010 Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer does hereby approve its receipt of a grant from the West Virginia Infrastructure and Jobs Development Council in the amount of \$124,000 and the use of the proceeds of such grant by the Issuer to pay professional service fees in connection with the Project and in connection with the issuance of the Bonds.

Section 6. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Ordinance and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Ordinance.

Section 8. The Issuer does hereby appoint and designate West Union Bank, West Union, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 9. The Issuer does hereby appoint Steptoe & Johnson PLLC, Clarksburg, West Virginia to serve as bond counsel to the City in connection with the issuance of the Bonds, and the City Manager is hereby authorized to execute and deliver an Engagement Letter with Steptoe & Johnson.

Section 10. Series 2010 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2010 A Bonds Sinking Fund, as capitalized interest.

Section 11. Series 2010 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2010 A Bonds Reserve Account.

Section 12. The proceeds of the Series 2010 A Bonds which remain after any funding of the Series 2010 A Bonds Sinking Fund or the Series 2010 A Bonds Reserve Account, and the payment of any costs of issuance of the Series 2010 A Bonds shall be requisitioned by the Issuer from time to time and deposited into the Series 2010 Bonds Construction Fund to pay costs of the Project.

Section 13. Series 2010 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2010 B Bonds Sinking Fund, as capitalized interest.

Section 14. Series 2010 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2010 B Bonds Reserve Account.

Section 15. The proceeds of the Series 2010 B Bonds which remain after any funding of the Series 2010 B Bonds Sinking Fund or the Series 2010 B Bonds Reserve Account, and the payment of any costs of issuance of the Series 2010 B Bonds shall be requisitioned by the Issuer from time to time and deposited into the Series 2010 Bonds Construction Fund to pay costs of the Project.

Section 16. The Issuer hereby appoints Terry Schulte with the Harrison County Planning Commission as the Issuer's fiscal agent for the Project, with full power and authority to approve, execute and deliver all requisitions for the payment of costs of the Project without further action on the part of the Issuer.

Section 17. The Mayor, City Manager and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 2010 Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Series 2010 Bonds may be delivered on or about January 14, 2010, to the Authority pursuant to the ARRA Assistance Agreement.

Section 18. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Series 2010 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 19. The Issuer does hereby approve and authorize all contracts relating to the financing, acquisition and construction of the Project.

Section 20. The Issuer hereby determines to invest all monies in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Monies in the Sinking Funds and Reserve Accounts shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 21. The Special Conditions of the ARRA Assistance Agreement are attached as Exhibit A and hereby incorporated herein.

Section 22. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted this 17<sup>th</sup> day of December, 2009.

By: Jim Daugherty  
Its: Mayor

By: David W. Meyer  
Its: City Manager

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the City of Salem on the 17<sup>th</sup> day of December, 2010.

Dated: January 14, 2010.

[SEAL]

  
City Clerk

788170.00002

## EXHIBIT A

### Special Conditions – ARRA Funded Projects

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

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) – Effective October 1, 2003, the Local Government that receives \$500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Government.

C. BUY AMERICAN CERTIFICATION – The Local Government shall cause the contractor(s) to comply with, and provide certification of, the Buy American provisions of the ARRA in accordance with final guidance from the EPA.

D. ASSET MANAGEMENT – The Local Government shall develop and implement an asset management plan in accordance with guidelines issued by DEP and is approved by DEP.

E. CONTRACTS – The Local Government shall enter into contracts or commence construction by February 17, 2010.

F. LOGO – The Local Government must display the ARRA logo in a manner that informs the public that the project is an ARRA investment.

G. LOBBYING - The Local Government shall comply with Title 40 CFR Part 34, New Restrictions on Lobbying and shall submit certification and disclosure forms as required by DEP.

H. PURCHASING REQUIREMENTS – The Local Government shall comply with Section 6002 of the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. 6962). Regulations issued under RCRA Section 6002 apply to any acquisition of an item where the purchase price exceeds \$10,000 or where the quantity of such items acquired in the course of the preceding fiscal year was \$10,000 or more. RCRA Section 6002 requires that preference be given in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by EPA. These guidelines are listed in 40 CFR 247.

I. SUSPENSION AND DEBARMENT – The Local Government shall

comply with Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled "Responsibilities of Participants Regarding Transactions (Doing Business with Other Persons). To the extent required by DEP, the Local Government shall provide certifications as to compliance.

J. REPORTING – The Local Government shall comply with all requests for data related to the use of the funds provided under this agreement, including the information required in section 1512 of ARRA when requested by DEP.

K. INSPECTOR GENERAL REVIEWS – The Local Government shall allow any appropriate representative of the Office of US Inspector General to (1) examine its records relating to the Project and this ARRA Assistance Agreement and (2) interview any officer or employee of the Local Government.

L. FALSE CLAIMS – The Local Government must promptly refer to EPA's Inspector General any credible evidence that a principal, employee, agent, sub-grantee contractor, subcontractor, loan recipient, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving funds provided under this ARRA Assistance Agreement.

M. LIMIT ON FUNDS – The Local Government shall not use funds for particular activities for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

N. WAGE RATES – The Local Government shall require that all laborers and mechanics employed by its contractors and subcontractors be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 32 of title 40, United States Code. The Local Government must require that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing wage rate requirements applicable to ARRA funds.

O. OFFICE OF MANAGEMENT AND BUDGET (OMB) GUIDANCE – The Local Government acknowledges and agrees that this ARRA Assistance is subject to all applicable provisions of implementing guidance for the American Recovery and Reinvestment Act of 2009 issued by the United States Office of Management and Budget, including the Initial Implementing Guidance for the American Recovery and Reinvestment Act (M-09-10) issued on February 18, 2009 and available on [www.recovery.gov](http://www.recovery.gov), and any subsequent guidance documents issued by OMB.

P. DISADVANTAGED BUSINESS ENTERPRISE – Pursuant to 40 CFR, Section 33.301, the Local Government agrees to make good faith efforts whenever procuring construction, equipment, services and supplies, and to require that prime contractors also comply. The Local Government shall provide DEP with MBE/WBE participation reports semi-annually.

Q. CIVIL RIGHTS – The Local Government shall comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title IX of the

Education Amendments of 1972, the Age Discrimination Act of 1975, and a variety of program-specific statutes with nondiscrimination requirements. The Local Government shall also comply with Title VII of the Civil Rights Act of 1964 (prohibiting race, color, national origin, religion, and sex discrimination in employment), the Americans with Disabilities Act (prohibiting disability discrimination in employment and in services provided by State and local governments, businesses, and non-profit agencies), and the Fair Housing Act (prohibiting race, color, national origin, age, family status, and disability discrimination in housing), as well as any other applicable civil rights laws.

R. BOND DESIGNATION – Each Local Bond funded by ARRA funds shall be designated “Series [2010] B” and shall contain “(West Virginia DWTRF Program/ARRA)” in the bond name.

S. USER RATES – The Local Government shall covenant that it will not reduce its approved or enacted customer rates for at least eighteen months after completion of the Project or until such time as a cost of service study has been completed establishing the actual operation and maintenance expenses.

T. NEW CUSTOMERS- The Local Government is serving no additional customers in connection with the Project. The Local Government shall not reduce the amount of additional customers served by the Project without the prior written approval of the WDA Board.

U. MAINTENANCE AUDIT- The Local Government shall perform an annual maintenance audit which maintenance audit shall be submitted to the WDA and the Public Service Commission of West Virginia.

EXHIBIT B

CONFORMED BOND ORDINANCE

(Included in bond transcript as Document No. 1)

DWTRF – ARRA  
(12/09)

ARRA ASSISTANCE AGREEMENT

THIS DRINKING WATER TREATMENT REVOLVING FUND ARRA ASSISTANCE AGREEMENT (the “ARRA Assistance 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”), acting under the direction of the WEST VIRGINIA BUREAU FOR PUBLIC HEALTH, a division of the West Virginia Department of Health and Human Resources (the “BPH”), and the local entity designated below (the “Local Entity”).

CITY OF SALEM  
(1998W-421/2009W-1155/09DWTRFA003)

W I T N E S S E T H:

WHEREAS, the United States Congress under Section 1452 of the Safe Drinking Water Act, as amended (the “Safe Drinking Water Act”), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining drinking water treatment revolving funds for the construction, acquisition and improvement of drinking water systems;

WHEREAS, the United States Congress has provided additional capitalization grant funding under the Clean Water Act through the American Recovery and Reinvestment Act of 2009 (the “ARRA”);

WHEREAS, pursuant to the provisions of Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (the “Act”), the State of West Virginia (the “State”) has established a drinking water treatment revolving fund program (the “Program”) to direct the distribution of loans and funding assistance to eligible Local Entities pursuant to the Safe Drinking Water Act and the ARRA;

WHEREAS, under the Act the BPH is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency (“EPA”) to accept capitalization grant awards (U.S. General Services

Administration; Catalog of Federal Domestic Assistance, 32nd Edition §66.458 (1998)) and BPH has been awarded capitalization grants to partially fund the Program;

WHEREAS, the ARRA provides that at least fifty percent (50%) of the funds provided through the capitalization grant be provided as negative interest loans or principal forgiveness (the "ARRA Assistance");

WHEREAS, the Act establishes a permanent perpetual fund known as the "West Virginia Drinking Water Treatment Revolving Fund" (hereinafter the "Fund"), which fund is to be administered and managed by the Authority under the direction of the BPH;

WHEREAS, pursuant to the Act, the Authority and BPH are empowered to make loans from the Fund to Local Entities for the acquisition or construction of drinking water projects by such Local Entities, all subject to such provisions and limitations as are contained in the Safe Drinking Water Act, the ARRA and the Act;

WHEREAS, the Local Entity constitutes a local entity as defined by the Act;

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

WHEREAS, the Local Entity is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a drinking water project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Entity;

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

WHEREAS, the Local Entity has completed and filed with the Authority and BPH 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 the Fund having available sufficient funds therefor, the Authority and BPH are willing to lend the Local Entity the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Entity with moneys held in

the Fund, subject to the Local Entity's satisfaction of certain legal and other requirements of the Program.

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

## ARTICLE I

### Definitions

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

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

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

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

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

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

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

1.8 "Program" means the drinking water facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Safe Drinking Water Act and administered by BPH.

1.9 "Project" means the drinking water project hereinabove referred to, to be constructed or being constructed by the Local Entity in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Entity 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 "DWTRF Regulations" means the regulations set forth in the West Virginia Code of State Regulations.

1.11 "System" means the drinking water system owned by the Local Entity, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

## ARTICLE II

### The Project and the System

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

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Entity, 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 BPH and the Authority.

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

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

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

2.7 The Local Entity 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 and shall verify or have verified such bonds prior to commencement of construction.

2.8 The Local Entity shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and BPH

and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Local Entity, the Local Entity or (at the option of the Local Entity) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Entity, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Entity on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding.

2.9 The Local Entity shall provide and maintain competent and adequate engineering services satisfactory to the Authority and BPH 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 engineer shall certify to the Authority, BPH and the Local Entity 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 Local Entity shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Entity shall employ qualified operating personnel properly certified by the State and shall retain such a certified operator(s) to operate the System during the entire term of this ARRA Assistance Agreement.

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

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

2.13 The Local Entity, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward such forms to BPH in compliance with the Local Entity's construction schedule.

2.14 The Local Entity shall serve the additional customers, if any, at the location(s) as set forth in Schedule X. The Local Entity shall not reduce the number of additional customers served by the project without the prior written approval of the Authority Board. Following completion of the Project the Local Entity shall certify to the Authority the number of customers added to the System.

2.15 The Local Entity shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia (the "PSC").

### ARTICLE III

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

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

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

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

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

(d) The Local Entity shall either have received bids or entered into contracts for the construction of the Project, which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the

Loan will refund an interim construction financing, the Local Entity must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and BPH shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit C;

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

(f) The Local Entity shall have obtained all requisite orders of and approvals from the PSC and the West Virginia Infrastructure and Jobs Development Council (the "IJDC") 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 and BPH shall have received an opinion of counsel to the Local Entity, which may be local counsel to the Local Entity, bond counsel or special PSC counsel but must be satisfactory to the Authority and BPH, to such effect;

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

(h) The Local Entity 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 and BPH shall have received an opinion of counsel to the Local Entity, which may be local counsel to the Local Entity, bond counsel or special PSC counsel but must be satisfactory to the Authority and BPH, to such effect;

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

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

3.2 Subject to the terms and provisions of this ARRA Assistance Agreement, the rules and regulations promulgated by the BPH, including the DWTRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Local Entity and the Local Entity shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Entity 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 ARRA Assistance Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Local Entity by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated.

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

Entity further specifically recognizes that all loans will be originated in conjunction with the DWTRF Regulations and with the prior approval of BPH or such later date as is agreed to in writing by the BPH.

3.6 The Local Entity shall provide BPH with the appropriate documentation to comply with the special conditions regarding the public release requirements established by federal and State regulations as set forth in Exhibit D attached hereto at such times as are set forth therein.

#### ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues, as applicable, of the System as provided in the Local Act;

(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 is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or the DWTRF Regulations, 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 from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System

when no longer required for the ongoing operation of the System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

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

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

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Entity 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 and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Entity shall annually, within six months of the end of the fiscal year, cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall

submit the report of said audit to the Authority and BPH. If the Local Entity receives \$500,000 or more (in federal funds) in a fiscal year, the audit shall be obtained in accordance with the Single Audit Act (as amended from time to time) and the applicable OMB Circular (or any successor thereto). Financial statement audits are required once all funds have been received by the Local Entity. The audit shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Entity's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

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

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

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for all Local Bonds;

(xvii) That the Local Entity shall on the first day of each month (if the first day is not a business day, then the first business day of each month)

deposit with the Commission the required interest, principal and reserve account payment. The Local Entity shall complete the Monthly Payment Form, attached hereto as Exhibit E and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month. When required by the Authority, the Local Entity shall make monthly payments to the Commission by electronic transfer;

(xviii) That, if required by the Authority and BPH and, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Local Entity will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

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

(xx) That the Local Entity shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate its services to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore such services until all delinquent charges for the services of the System have been fully paid; and

(xxi) That the Local Entity shall submit all proposed change orders to the BPH for written approval. The Local Entity shall obtain the written approval of the BPH before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule A attached to the certificate of the Consulting Engineer. The Local Entity shall obtain the written approval of the BPH before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

The Local Entity hereby represents and warrants that the Local Act has been or shall be duly adopted or enacted 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, validity, sale and delivery of the Local Bonds shall

be approved without qualification by nationally recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit F.

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

4.3 At least two and one half percent (2.5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Entity to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Entity, the BPH and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the DWTRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

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

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

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

## ARTICLE V

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

5.1 The Local Entity hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this ARRA Assistance Agreement and the Local Act. The Local Entity 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 and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 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 required sums set forth in the Local Act and this ARRA Assistance Agreement, the Local Entity 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 (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this ARRA Assistance Agreement.

5.3 In the event the Local Entity defaults in any payment due to the Authority pursuant to this ARRA Assistance Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

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

ARTICLE VI

Other Agreements of the  
Local Entity

6.1 The Local Entity hereby acknowledges to the Authority and BPH its understanding of the provisions of the Act, vesting in the Authority and BPH certain

powers, rights and privileges with respect to drinking water projects in the event of default by local entities in the terms and covenants of this ARRA Assistance Agreement, and the Local Entity hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Entity 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 ARRA Assistance Agreement.

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

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

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

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

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

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

## ARTICLE VII

### Miscellaneous

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

7.2 If any provision of this ARRA Assistance 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 ARRA Assistance Agreement, and this ARRA Assistance Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.3 This ARRA Assistance 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 ARRA Assistance Agreement.

7.4 No waiver by any party of any term or condition of this ARRA Assistance 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 ARRA Assistance Agreement.

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

7.6 By execution and delivery of this ARRA Assistance Agreement, notwithstanding the date hereof, the Local Entity specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.7 This ARRA Assistance Agreement shall terminate upon the EARLIER of:

(i) written notice of termination to the Local Entity from either the Authority or BPH and the Project contracts were not executed by January 28, 2010;

(ii) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the BPH if the Local Entity has failed to deliver the Local Bonds to the Authority;

(iii) termination by the Authority and BPH pursuant to Section 6.2 hereof; or

(iv) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Entity to the Authority or BPH;

(v) but further provided that the Authority and BPH reserve the right to terminate this ARRA Assistance Agreement upon five days written notice if the Local Bonds are not issued and the Project is not under written contract by January 28, 2010.

In the event funds are not available to make all of the Loan, the responsibility of the Authority and BPH to make all the Loan is terminated; provided further that the obligation of the Local Entity to repay the outstanding amount of the Loan made by the Authority and BPH is not terminated due to such non-funding on any balance of the Loan. The BPH agrees to use its best efforts to have the amount contemplated under this ARRA Assistance Agreement included in its budget. Non-funding of the Loan shall not be considered an event of default under this ARRA Assistance Agreement.

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

CITY OF SALEM

(SEAL)

Attest:

By:

Its: Mayor

Date: January 14, 2010

Its: City Clerk

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

(SEAL)

Attest:

By:

Its: Executive Director

Date: January 14, 2010

Its: Secretary-Treasurer

# EXHIBIT A

## MONTHLY FINANCIAL REPORT

Name of Local Entity \_\_\_\_\_  
 Name of Bond Issue(s) \_\_\_\_\_  
 Type of Project \_\_\_\_\_ Water \_\_\_\_\_ Wastewater \_\_\_\_\_  
 Fiscal Year \_\_\_\_\_ Report Month \_\_\_\_\_

| <u>Item</u>                                    | <u>Current<br/>Month</u> | <u>Total<br/>Year<br/>To Date</u> | <u>Budget<br/>Year<br/>To Date</u> | <u>Budget<br/>Year To<br/>Date Minus<br/>Total Year<br/>To Date</u> |
|------------------------------------------------|--------------------------|-----------------------------------|------------------------------------|---------------------------------------------------------------------|
| 1. Gross Revenues                              | _____                    | _____                             | _____                              | _____                                                               |
| 2. Operating Expenses                          | _____                    | _____                             | _____                              | _____                                                               |
| 3. Bond Payments:                              |                          |                                   |                                    |                                                                     |
| <u>Type of Issue</u>                           | _____                    | _____                             | _____                              | _____                                                               |
| Clean Water SRF                                | _____                    | _____                             | _____                              | _____                                                               |
| Drinking Water TRF                             | _____                    | _____                             | _____                              | _____                                                               |
| Infrastructure Fund                            | _____                    | _____                             | _____                              | _____                                                               |
| Water Development<br>Authority                 | _____                    | _____                             | _____                              | _____                                                               |
| Rural Utilities Service                        | _____                    | _____                             | _____                              | _____                                                               |
| Economic Development                           | _____                    | _____                             | _____                              | _____                                                               |
| Administration                                 | _____                    | _____                             | _____                              | _____                                                               |
| Other (Identify)                               | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| _____                                          | _____                    | _____                             | _____                              | _____                                                               |
| 4. Renewal and<br>Replacement<br>Fund Deposits | _____                    | _____                             | _____                              | _____                                                               |

\_\_\_\_\_  
 Name of Person Completing Form

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Telephone

## INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Local Entity to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ( $\$1,200/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ( $\$900/12$ ). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Local Entity according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Local Entity.

**The Local Entity must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10<sup>th</sup> day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.**

## EXHIBIT B

### PAYMENT REQUISITION FORM

#### - WATER TREATMENT UPGRADE PROJECT

##### DWTRF FUNDING

|    | CLASSIFICATION                  | APPROVED<br>BUDGET | ADJUSTMENTS | REVISED<br>BUDGET | PAID<br>PRIOR TO<br>THIS DRAW | REQUESTED<br>THIS<br>REQUEST | PAID TO<br>DATE | BALANCE<br>REMAINING |
|----|---------------------------------|--------------------|-------------|-------------------|-------------------------------|------------------------------|-----------------|----------------------|
| 1  | Construction & Cons. Cont.      |                    |             |                   |                               |                              |                 |                      |
|    | a. Contract 1 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Contract 2 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Contract 3 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | g. Construction contingency     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 2  | Technical Services              |                    |             |                   |                               |                              |                 |                      |
|    | a. Basic Engineering Design     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Inspection                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Special Services             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 3  | Legal/Fiscal                    |                    |             |                   |                               |                              |                 |                      |
|    | a. Legal                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 4  | Administrative                  |                    |             |                   |                               |                              |                 |                      |
|    | a. Administrative Expenses      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Tap Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | d. Registrar Fee                | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 5  | Sites & Other Lands             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 6  | WV DOH Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 7  | Interest                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 8  | Contingency                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 9  | Miscellaneous (Equipment)       | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 10 | TOTAL of Lines 1 through 9      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |

##### OTHER FUNDING

|    | CLASSIFICATION                  | APPROVED<br>BUDGET | ADJUSTMENTS | REVISED<br>BUDGET | PAID<br>PRIOR TO<br>THIS DRAW | REQUESTED<br>THIS<br>REQUEST | PAID TO<br>DATE | BALANCE<br>REMAINING |
|----|---------------------------------|--------------------|-------------|-------------------|-------------------------------|------------------------------|-----------------|----------------------|
| 1  | Construction & Cons. Cont.      |                    |             |                   |                               |                              |                 |                      |
|    | a. Contract 1 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Contract 2 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Contract 3 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | g. Construction contingency     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 2  | Technical Services              |                    |             |                   |                               |                              |                 |                      |
|    | a. Basic Engineering Design     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Inspection                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Special Services             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 3  | Legal/Fiscal                    |                    |             |                   |                               |                              |                 |                      |
|    | a. Legal                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 4  | Administrative                  |                    |             |                   |                               |                              |                 |                      |
|    | a. Administrative Expenses      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Tap Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | d. Registrar Fee                | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 5  | Sites & Other Lands             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 6  | WV DOH Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 7  | Interest                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 8  | Contingency                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 9  | Miscellaneous (Equipment)       | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 10 | TOTAL of Lines 1 through 9      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |

# TOTAL FUNDING

|    | CLASSIFICATION                  | APPROVED<br>BUDGET | ADJUSTMENTS | REVISED<br>BUDGET | PAID<br>PRIOR TO<br>THIS DRAW | REQUESTED<br>THIS<br>REQUEST | PAID TO<br>DATE | BALANCE<br>REMAINING |
|----|---------------------------------|--------------------|-------------|-------------------|-------------------------------|------------------------------|-----------------|----------------------|
| 1  | Construction & Cons. Cont.      |                    |             |                   |                               |                              |                 |                      |
|    | a. Contract 1 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Contract 2 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Contract 3 - Contractor Name | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | g. Construction contingency     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 2  | Technical Services              |                    |             |                   |                               |                              |                 |                      |
|    | a. Basic Engineering Design     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Inspection                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Special Services             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 3  | Legal/Fiscal                    |                    |             |                   |                               |                              |                 |                      |
|    | a. Legal                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 4  | Administrative                  |                    |             |                   |                               |                              |                 |                      |
|    | a. Administrative Expenses      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | b. Tap Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | c. Accounting                   | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
|    | d. Registrar Fee                | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 5  | Sites & Other Lands             | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 6  | WV DOH Fees                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 7  | Interest                        | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 8  | Contingency                     | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 9  | Miscellaneous (Equipment)       | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |
| 10 | TOTAL of Lines 1 through 9      | 0                  | 0           | 0                 | 0                             | 0                            | 0               | 0                    |

EXHIBIT C

FORM OF CERTIFICATE OF CONSULTING ENGINEER

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

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

I, \_\_\_\_\_, Registered Professional Engineer, West Virginia License No. \_\_\_\_\_, of \_\_\_\_\_ Consulting Engineers, \_\_\_\_\_, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of \_\_\_\_\_ to the \_\_\_\_\_ system (the "Project") of \_\_\_\_\_ (the "Issuer"), to be constructed primarily in \_\_\_\_\_ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words used herein and not defined herein shall have the same meaning set forth in the bond \_\_\_\_\_ adopted or enacted by the Issuer on \_\_\_\_\_, and the ARRA Assistance Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), dated \_\_\_\_\_.

2. The Bonds are being issued for the purposes of (i) \_\_\_\_\_, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by BPH and any change orders approved by the Issuer, BPH and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least \_\_\_\_\_ years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule B attached hereto as Exhibit A, and my firm<sup>1</sup> has ascertained that all successful bidders have made required provisions

<sup>1</sup>If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then

for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof<sup>2</sup>, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the ARRA Assistance Agreement; (x) 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, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by BPH; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this \_\_\_\_ day of \_\_\_\_\_,

\_\_\_\_\_.

[SEAL]

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

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

insert the following: [and in reliance upon the opinion of \_\_\_\_\_, Esq.] and delete Amy firm has ascertained that@.

<sup>2</sup>If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: AIn reliance upon the certificate of \_\_\_\_\_ of even date herewith,@ at the beginning of (ix).

## EXHIBIT D

### SPECIAL CONDITIONS – BASE PROGRAM

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

A. The Local Entity shall complete the form attached as Exhibit D-1 and submit to the BPH prior to the Closing.

B. The Local Entity shall complete the fencing at the tank sites as set forth in the Action Plan to Correct Significant Deficiencies dated January 4, 2010 by August 31, 2010.

C. The Local Entity shall complete the cross connection backflow prevention program described in the Action Plan to Correct Significant Deficiencies dated January 4, 2010 by August 31, 2010.

### SPECIAL CONDITIONS – ARRA FUNDED PROJECTS

The Local Entity shall include the following covenants in its bond authorizing documents:

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

B. **AUDIT REQUIREMENT** (Supplement to Article IV 4.1 (b) (xi)) – Effective October 1, 2003, the Local Entity that receives \$500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the

applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Entity.

C. **BUY AMERICAN CERTIFICATION** – The Local Entity shall cause the contractor(s) to comply with, and provide certification of, the Buy American provisions of the ARRA in accordance with final guidance from the EPA.

D. **ASSET MANAGEMENT** – The Local Entity shall develop and implement an asset management plan in accordance with guidelines issued by BPH and as approved by BPH.

E. **CONTRACTS** – The Local Entity shall enter into contracts or commence construction by January 28, 2010.

F. **LOGO** – The Local Entity must display the ARRA logo in a manner that informs the public that the project is an ARRA investment.

G. **LOBBYING** - The Local Entity shall comply with Title 40 CFR Part 34, New Restrictions on Lobbying and shall submit certification and disclosure forms as required by BPH.

H. **PURCHASING REQUIREMENTS** – The Local Entity shall comply with Section 6002 of the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. 6962). Regulations issued under RCRA Section 6002 apply to any acquisition of an item where the purchase price exceeds \$10,000 or where the quantity of such items acquired in the course of the preceding fiscal year was \$10,000 or more. RCRA Section 6002 requires that preference be given in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by EPA. These guidelines are listed in 40 CFR 247.

I. **SUSPENSION AND DEBARMENT** – The Local Entity shall comply with Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled “Responsibilities of Participants Regarding Transactions (Doing Business with Other Persons). To the extent required by BPH, the Local Entity shall provide certifications as to compliance.

J. **REPORTING** – The Local Entity shall comply with all requests for data related to the use of the funds provided under this agreement, including the information required in section 1512 of ARRA when requested by BPH.

K. **INSPECTOR GENERAL REVIEWS** – The Local Entity shall allow any appropriate representative of the Office of US Inspector General to (1) examine its

records relating to the Project and this ARRA Assistance Agreement and (2) interview any officer or employee of the Local Entity.

L. FALSE CLAIMS – The Local Entity must promptly refer to EPA's Inspector General any credible evidence that a principal, employee, agent, sub-grantee contractor, subcontractor, loan recipient, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving funds provided under this ARRA Assistance Agreement.

M. LIMIT ON FUNDS – The Local Entity shall not use funds for particular activities for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

N. WAGE RATES – The Local Entity shall require that all laborers and mechanics employed by its contractors and subcontractors be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 32 of title 40, United States Code. The Local Entity must require that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing wage rate requirements applicable to ARRA funds.

O. OFFICE OF MANAGEMENT AND BUDGET (OMB) GUIDANCE – The Local Entity acknowledges and agrees that this ARRA Assistance is subject to all applicable provisions of implementing guidance for the American Recovery and Reinvestment Act of 2009 issued by the United States Office of Management and Budget, including the Initial Implementing Guidance for the American Recovery and Reinvestment Act (M-09-10) issued on February 18, 2009 and available on [www.recovery.gov](http://www.recovery.gov), and any subsequent guidance documents issued by OMB.

P. DISADVANTAGED BUSINESS ENTERPRISE – Pursuant to 40 CFR, Section 33.301, the Local Entity agrees to make good faith efforts whenever procuring construction, equipment, services and supplies, and to require that prime contractors also comply. The Local Entity shall provide BPH with MBE/WBE participation reports semi-annually.

Q. CIVIL RIGHTS – The Local Entity shall comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title IX of the Education Amendments of 1972, the Age Discrimination Act of 1975, and a variety of program-specific statutes with nondiscrimination requirements. The Local Entity shall also comply with Title VII of the Civil Rights Act of 1964 (prohibiting race, color, national origin, religion, and sex discrimination in employment), the Americans with

Disabilities Act (prohibiting disability discrimination in employment and in services provided by State and Local Entities, businesses, and non-profit agencies), and the Fair Housing Act (prohibiting race, color, national origin, age, family status, and disability discrimination in housing), as well as any other applicable civil rights laws.

R. BOND DESIGNATION – Each Local Bond contain “(WVDWTRF Program/ARRA)” in the bond name.

S. USER RATES – The Local Entity shall covenant that it will not reduce its approved customer rates for at least eighteen months after completion of the Project or (a) until such time as a cost of service study has been completed establishing the actual operation and maintenance expenses or (b) new rates have been established by order of the Public Service Commission. The Local Entity shall notify the Authority and the BPH of any action to reduce rates during the eighteen months following completion of construction of the Project.

T. CONTRIBUTION IN AID OF CONSTRUCTION – The Authority and BPH acknowledge that the proceeds of the Local Bonds will be used by the Local Entity as a contribution to the Sun Valley Public Service District for the purpose of paying a portion of the cost to be incurred by the District in constructing a main water line to supply potable water to the Local Entity. The terms and conditions in this ARRA Assistance Agreement inconsistent with the contribution, as opposed to the Local Entity actually constructing the Project, are hereby waived.

# SCHEDULE Y DEBT SERVICE SCHEDULES

0% Interest Rate

No Administrative Fee

30 Years

Dated  
Date 1/14/10  
Delivery  
Date 1/14/10

| Period<br>Ending | Principal | Interest | Debt<br>Service |
|------------------|-----------|----------|-----------------|
| 1/14/10          |           |          |                 |
| 9/1/11           | 7,500     |          | 7,500           |
| 12/1/11          | 7,500     |          | 7,500           |
| 3/1/12           | 7,500     |          | 7,500           |
| 6/1/12           | 7,500     |          | 7,500           |
| 9/1/12           | 7,500     |          | 7,500           |
| 12/1/12          | 7,500     |          | 7,500           |
| 3/1/13           | 7,500     |          | 7,500           |
| 6/1/13           | 7,500     |          | 7,500           |
| 9/1/13           | 7,500     |          | 7,500           |
| 12/1/13          | 7,500     |          | 7,500           |
| 3/1/14           | 7,500     |          | 7,500           |
| 6/1/14           | 7,500     |          | 7,500           |
| 9/1/14           | 7,500     |          | 7,500           |
| 12/1/14          | 7,500     |          | 7,500           |
| 3/1/15           | 7,500     |          | 7,500           |
| 6/1/15           | 7,500     |          | 7,500           |
| 9/1/15           | 7,500     |          | 7,500           |
| 12/1/15          | 7,500     |          | 7,500           |
| 3/1/16           | 7,500     |          | 7,500           |
| 6/1/16           | 7,500     |          | 7,500           |
| 9/1/16           | 7,500     |          | 7,500           |
| 12/1/16          | 7,500     |          | 7,500           |
| 3/1/17           | 7,500     |          | 7,500           |
| 6/1/17           | 7,500     |          | 7,500           |
| 9/1/17           | 7,500     |          | 7,500           |
| 12/1/17          | 7,500     |          | 7,500           |
| 3/1/18           | 7,500     |          | 7,500           |
| 6/1/18           | 7,500     |          | 7,500           |
| 9/1/18           | 7,500     |          | 7,500           |
| 12/1/18          | 7,500     |          | 7,500           |
| 3/1/19           | 7,500     |          | 7,500           |
| 6/1/19           | 7,500     |          | 7,500           |
| 9/1/19           | 7,500     |          | 7,500           |
| 12/1/19          | 7,500     |          | 7,500           |
| 3/1/20           | 7,500     |          | 7,500           |
| 6/1/20           | 7,500     |          | 7,500           |
| 9/1/20           | 7,500     |          | 7,500           |
| 12/1/20          | 7,500     |          | 7,500           |
| 3/1/21           | 7,500     |          | 7,500           |
| 6/1/21           | 7,500     |          | 7,500           |
| 9/1/21           | 7,500     |          | 7,500           |
| 12/1/21          | 7,500     |          | 7,500           |
| 3/1/22           | 7,500     |          | 7,500           |

| 0% Interest Rate      |                  |           |                 |
|-----------------------|------------------|-----------|-----------------|
| No Administrative Fee |                  |           |                 |
| 30 Years              |                  |           |                 |
|                       | Period<br>Ending | Principal | Debt<br>Service |
|                       | 6/1/22           | 7,500     | 7,500           |
|                       | 9/1/22           | 7,500     | 7,500           |
|                       | 12/1/22          | 7,500     | 7,500           |
|                       | 3/1/23           | 7,500     | 7,500           |
|                       | 6/1/23           | 7,500     | 7,500           |
|                       | 9/1/23           | 7,500     | 7,500           |
|                       | 12/1/23          | 7,500     | 7,500           |
|                       | 3/1/24           | 7,500     | 7,500           |
|                       | 6/1/24           | 7,500     | 7,500           |
|                       | 9/1/24           | 7,500     | 7,500           |
|                       | 12/1/24          | 7,500     | 7,500           |
|                       | 3/1/25           | 7,500     | 7,500           |
|                       | 6/1/25           | 7,500     | 7,500           |
|                       | 9/1/25           | 7,500     | 7,500           |
|                       | 12/1/25          | 7,500     | 7,500           |
|                       | 3/1/26           | 7,500     | 7,500           |
|                       | 6/1/26           | 7,500     | 7,500           |
|                       | 9/1/26           | 7,500     | 7,500           |
|                       | 12/1/26          | 7,500     | 7,500           |
|                       | 3/1/27           | 7,500     | 7,500           |
|                       | 6/1/27           | 7,500     | 7,500           |
|                       | 9/1/27           | 7,500     | 7,500           |
|                       | 12/1/27          | 7,500     | 7,500           |
|                       | 3/1/28           | 7,500     | 7,500           |
|                       | 6/1/28           | 7,500     | 7,500           |
|                       | 9/1/28           | 7,500     | 7,500           |
|                       | 12/1/28          | 7,500     | 7,500           |
|                       | 3/1/29           | 7,500     | 7,500           |
|                       | 6/1/29           | 7,500     | 7,500           |
|                       | 9/1/29           | 7,500     | 7,500           |
|                       | 12/1/29          | 7,500     | 7,500           |
|                       | 3/1/30           | 7,500     | 7,500           |
|                       | 6/1/30           | 7,500     | 7,500           |
|                       | 9/1/30           | 7,500     | 7,500           |
|                       | 12/1/30          | 7,500     | 7,500           |
|                       | 3/1/31           | 7,500     | 7,500           |
|                       | 6/1/31           | 7,500     | 7,500           |
|                       | 9/1/31           | 7,500     | 7,500           |
|                       | 12/1/31          | 7,500     | 7,500           |
|                       | 3/1/32           | 7,500     | 7,500           |
|                       | 6/1/32           | 7,500     | 7,500           |
|                       | 9/1/32           | 7,500     | 7,500           |
|                       | 12/1/32          | 7,500     | 7,500           |
|                       | 3/1/33           | 7,500     | 7,500           |
|                       | 6/1/33           | 7,500     | 7,500           |
|                       | 9/1/33           | 7,500     | 7,500           |
|                       | 12/1/33          | 7,500     | 7,500           |
|                       | 3/1/34           | 7,500     | 7,500           |





# SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF SALEM  
WATER REVENUE BONDS, SERIES 2010 A  
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1

\$900,000

KNOW ALL MEN BY THESE PRESENTS: That on this the 14<sup>th</sup> day of January, 2010, the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 NINE HUNDRED THOUSAND DOLLARS (\$900,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference; in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2011, to and including June 1, 2041, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. There shall be no Administrative Fee (as defined in the hereinafter described Bond Legislation) payable with respect to this Bond.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated January 14, 2010.

This Bond is issued (i) to provide a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and construction of a water line extension to provide potable drinking water to the City of Salem, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (the "Project"); and (ii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer and any further additions, betterments or improvements thereto are 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, Chapter 8, Article 23 and Chapter 16, Article 13C of the

West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on October 13, 2009, and a Supplemental Resolution duly adopted by the Issuer on December 17, 2009 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 2010 B (WEST VIRGINIA DWTRF PROGRAM/ARRA) DATED JANUARY 14, 2010, ISSUED SIMULTANEOUSLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$927,000 (THE "SERIES 2010 B BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the Holders of the Series 2010 B Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2010 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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, if any, hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2010 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2010 B Bonds; provided however, that so long as there exists in the Series 2010 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2010 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, 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 Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, 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 Gross 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 Bond Legislation, 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.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the CITY OF SALEM has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated as of the day and year first written above.

[SEAL]

Joan Plummer  
Mayor

Dan Brown  
City Manager

ATTEST:

Shirley O'Brien  
City Clerk

EXHIBIT A

RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-------------|---------------|-------------|
| (1) \$450,000 | 1/14/2010   | (19)          |             |
| (2)           |             | (20)          |             |
| (3)           |             | (21)          |             |
| (4)           |             | (22)          |             |
| (5)           |             | (23)          |             |
| (6)           |             | (24)          |             |
| (7)           |             | (25)          |             |
| (8)           |             | (26)          |             |
| (9)           |             | (27)          |             |
| (10)          |             | (28)          |             |
| (11)          |             | (29)          |             |
| (12)          |             | (30)          |             |
| (13)          |             | (31)          |             |
| (14)          |             | (32)          |             |
| (15)          |             | (33)          |             |
| (16)          |             | (34)          |             |
| (17)          |             | (35)          |             |
| (18)          |             | (36)          |             |

TOTAL \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

# SCHEDULE Y DEBT SERVICE SCHEDULES

| 0% Interest Rate      |           |                  |                 |  |
|-----------------------|-----------|------------------|-----------------|--|
| No Administrative Fee |           |                  |                 |  |
| 30 Years              |           |                  |                 |  |
|                       |           | Dated<br>Date    | 1/14/10         |  |
|                       |           | Delivery<br>Date | 1/14/10         |  |
| Period<br>Ending      | Principal | Interest         | Debt<br>Service |  |
| 1/14/10               |           |                  |                 |  |
| 9/1/11                | 7,500     |                  | 7,500           |  |
| 12/1/11               | 7,500     |                  | 7,500           |  |
| 3/1/12                | 7,500     |                  | 7,500           |  |
| 6/1/12                | 7,500     |                  | 7,500           |  |
| 9/1/12                | 7,500     |                  | 7,500           |  |
| 12/1/12               | 7,500     |                  | 7,500           |  |
| 3/1/13                | 7,500     |                  | 7,500           |  |
| 6/1/13                | 7,500     |                  | 7,500           |  |
| 9/1/13                | 7,500     |                  | 7,500           |  |
| 12/1/13               | 7,500     |                  | 7,500           |  |
| 3/1/14                | 7,500     |                  | 7,500           |  |
| 6/1/14                | 7,500     |                  | 7,500           |  |
| 9/1/14                | 7,500     |                  | 7,500           |  |
| 12/1/14               | 7,500     |                  | 7,500           |  |
| 3/1/15                | 7,500     |                  | 7,500           |  |
| 6/1/15                | 7,500     |                  | 7,500           |  |
| 9/1/15                | 7,500     |                  | 7,500           |  |
| 12/1/15               | 7,500     |                  | 7,500           |  |
| 3/1/16                | 7,500     |                  | 7,500           |  |
| 6/1/16                | 7,500     |                  | 7,500           |  |
| 9/1/16                | 7,500     |                  | 7,500           |  |
| 12/1/16               | 7,500     |                  | 7,500           |  |
| 3/1/17                | 7,500     |                  | 7,500           |  |
| 6/1/17                | 7,500     |                  | 7,500           |  |
| 9/1/17                | 7,500     |                  | 7,500           |  |
| 12/1/17               | 7,500     |                  | 7,500           |  |
| 3/1/18                | 7,500     |                  | 7,500           |  |
| 6/1/18                | 7,500     |                  | 7,500           |  |
| 9/1/18                | 7,500     |                  | 7,500           |  |
| 12/1/18               | 7,500     |                  | 7,500           |  |
| 3/1/19                | 7,500     |                  | 7,500           |  |
| 6/1/19                | 7,500     |                  | 7,500           |  |
| 9/1/19                | 7,500     |                  | 7,500           |  |
| 12/1/19               | 7,500     |                  | 7,500           |  |
| 3/1/20                | 7,500     |                  | 7,500           |  |
| 6/1/20                | 7,500     |                  | 7,500           |  |
| 9/1/20                | 7,500     |                  | 7,500           |  |
| 12/1/20               | 7,500     |                  | 7,500           |  |
| 3/1/21                | 7,500     |                  | 7,500           |  |
| 6/1/21                | 7,500     |                  | 7,500           |  |
| 9/1/21                | 7,500     |                  | 7,500           |  |
| 12/1/21               | 7,500     |                  | 7,500           |  |
| 3/1/22                | 7,500     |                  | 7,500           |  |

|  | 0% Interest Rate<br>No Administrative Fee<br>30 Years |           |          |                 |
|--|-------------------------------------------------------|-----------|----------|-----------------|
|  | Period<br>Ending                                      | Principal | Interest | Debt<br>Service |
|  | 6/1/22                                                | 7,500     |          | 7,500           |
|  | 9/1/22                                                | 7,500     |          | 7,500           |
|  | 12/1/22                                               | 7,500     |          | 7,500           |
|  | 3/1/23                                                | 7,500     |          | 7,500           |
|  | 6/1/23                                                | 7,500     |          | 7,500           |
|  | 9/1/23                                                | 7,500     |          | 7,500           |
|  | 12/1/23                                               | 7,500     |          | 7,500           |
|  | 3/1/24                                                | 7,500     |          | 7,500           |
|  | 6/1/24                                                | 7,500     |          | 7,500           |
|  | 9/1/24                                                | 7,500     |          | 7,500           |
|  | 12/1/24                                               | 7,500     |          | 7,500           |
|  | 3/1/25                                                | 7,500     |          | 7,500           |
|  | 6/1/25                                                | 7,500     |          | 7,500           |
|  | 9/1/25                                                | 7,500     |          | 7,500           |
|  | 12/1/25                                               | 7,500     |          | 7,500           |
|  | 3/1/26                                                | 7,500     |          | 7,500           |
|  | 6/1/26                                                | 7,500     |          | 7,500           |
|  | 9/1/26                                                | 7,500     |          | 7,500           |
|  | 12/1/26                                               | 7,500     |          | 7,500           |
|  | 3/1/27                                                | 7,500     |          | 7,500           |
|  | 6/1/27                                                | 7,500     |          | 7,500           |
|  | 9/1/27                                                | 7,500     |          | 7,500           |
|  | 12/1/27                                               | 7,500     |          | 7,500           |
|  | 3/1/28                                                | 7,500     |          | 7,500           |
|  | 6/1/28                                                | 7,500     |          | 7,500           |
|  | 9/1/28                                                | 7,500     |          | 7,500           |
|  | 12/1/28                                               | 7,500     |          | 7,500           |
|  | 3/1/29                                                | 7,500     |          | 7,500           |
|  | 6/1/29                                                | 7,500     |          | 7,500           |
|  | 9/1/29                                                | 7,500     |          | 7,500           |
|  | 12/1/29                                               | 7,500     |          | 7,500           |
|  | 3/1/30                                                | 7,500     |          | 7,500           |
|  | 6/1/30                                                | 7,500     |          | 7,500           |
|  | 9/1/30                                                | 7,500     |          | 7,500           |
|  | 12/1/30                                               | 7,500     |          | 7,500           |
|  | 3/1/31                                                | 7,500     |          | 7,500           |
|  | 6/1/31                                                | 7,500     |          | 7,500           |
|  | 9/1/31                                                | 7,500     |          | 7,500           |
|  | 12/1/31                                               | 7,500     |          | 7,500           |
|  | 3/1/32                                                | 7,500     |          | 7,500           |
|  | 6/1/32                                                | 7,500     |          | 7,500           |
|  | 9/1/32                                                | 7,500     |          | 7,500           |
|  | 12/1/32                                               | 7,500     |          | 7,500           |
|  | 3/1/33                                                | 7,500     |          | 7,500           |
|  | 6/1/33                                                | 7,500     |          | 7,500           |
|  | 9/1/33                                                | 7,500     |          | 7,500           |
|  | 12/1/33                                               | 7,500     |          | 7,500           |
|  | 3/1/34                                                | 7,500     |          | 7,500           |

|  |                       |           |         |
|--|-----------------------|-----------|---------|
|  | 0% Interest Rate      |           |         |
|  | No Administrative Fee |           |         |
|  | 30 Years              |           |         |
|  | Period                | Principal | Debt    |
|  | Ending                |           | Service |
|  | 6/1/34                | 7,500     | 7,500   |
|  | 9/1/34                | 7,500     | 7,500   |
|  | 12/1/34               | 7,500     | 7,500   |
|  | 3/1/35                | 7,500     | 7,500   |
|  | 6/1/35                | 7,500     | 7,500   |
|  | 9/1/35                | 7,500     | 7,500   |
|  | 12/1/35               | 7,500     | 7,500   |
|  | 3/1/36                | 7,500     | 7,500   |
|  | 6/1/36                | 7,500     | 7,500   |
|  | 9/1/36                | 7,500     | 7,500   |
|  | 12/1/36               | 7,500     | 7,500   |
|  | 3/1/37                | 7,500     | 7,500   |
|  | 6/1/37                | 7,500     | 7,500   |
|  | 9/1/37                | 7,500     | 7,500   |
|  | 12/1/37               | 7,500     | 7,500   |
|  | 3/1/38                | 7,500     | 7,500   |
|  | 6/1/38                | 7,500     | 7,500   |
|  | 9/1/38                | 7,500     | 7,500   |
|  | 12/1/38               | 7,500     | 7,500   |
|  | 3/1/39                | 7,500     | 7,500   |
|  | 6/1/39                | 7,500     | 7,500   |
|  | 9/1/39                | 7,500     | 7,500   |
|  | 12/1/39               | 7,500     | 7,500   |
|  | 3/1/40                | 7,500     | 7,500   |
|  | 6/1/40                | 7,500     | 7,500   |
|  | 9/1/40                | 7,500     | 7,500   |
|  | 12/1/40               | 7,500     | 7,500   |
|  | 3/1/41                | 7,500     | 7,500   |
|  | 6/1/41                | 7,500     | 7,500   |
|  |                       | 900,000   | 900,000 |

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: \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
In the presence of:

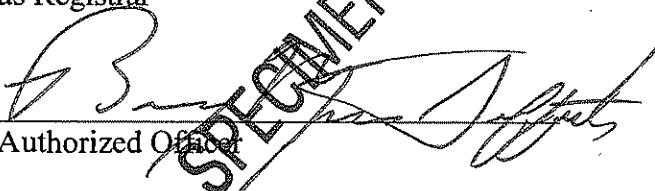
\_\_\_\_\_

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: January 14, 2010.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

  
Authorized Officer

# SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CITY OF SALEM  
WATER REVENUE BONDS, SERIES 2010 B  
(WEST VIRGINIA DWTRF PROGRAM/ARRA)

No. BR-1

\$927,000

KNOW ALL MEN BY THESE PRESENTS: That on this the 14<sup>th</sup> day of January, 2010, the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia in Harrison 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 NINE HUNDRED TWENTY-SEVEN THOUSAND DOLLARS (\$927,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2011, to and including June 1, 2021 as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. This Bond shall not be subject to the DWTRF Administrative Fee (as defined in the hereinafter describe Bond Legislation).

This Bond shall bear no interest. Principal installments of this Bond are forgivable quarterly as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the ARRA Assistance Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated January 14, 2010.

This Bond is issued (i) to provide a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and construction of a main water line extension for the purpose of supplying potable drinking water to the City of Salem, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (the "Project"); and (ii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer and any further additions, betterments or improvements thereto are 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, Chapter 8, Article 23 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on October 13, 2009, and a Supplemental

Resolution duly adopted by the Issuer on December 17, 2009 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA DWTRF PROGRAM) DATED JANUARY 14, 2010 ISSUED SIMULTANEOUSLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$900,000 (THE "SERIES 2010 A BONDS").

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenue in favor of the Holders of the Series 2010 A Bonds, and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2010 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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, if any, hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2010 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2010 A Bonds; provided however, that so long as there exists in the Series 2010 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2010 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, 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 Bond Legislation, only upon the books of The Huntington National Bank, as bond registrar (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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, 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 Gross 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 Bond Legislation, 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.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, the CITY OF SALEM has caused this Bond to be signed by its Mayor and City Manager and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated as of the day and year first written above.

[SEAL]

  
Mayor

  
City Manager

ATTEST:

  
City Clerk

EXHIBIT A

RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-------------|---------------|-------------|
| (1) \$27,000  | 1/14/2010   | (19)          |             |
| (2)           |             | (20)          |             |
| (3)           |             | (21)          |             |
| (4)           |             | (22)          |             |
| (5)           |             | (23)          |             |
| (6)           |             | (24)          |             |
| (7)           |             | (25)          |             |
| (8)           |             | (26)          |             |
| (9)           |             | (27)          |             |
| (10)          |             | (28)          |             |
| (11)          |             | (29)          |             |
| (12)          |             | (30)          |             |
| (13)          |             | (31)          |             |
| (14)          |             | (32)          |             |
| (15)          |             | (33)          |             |
| (16)          |             | (34)          |             |
| (17)          |             | (35)          |             |
| (18)          |             | (36)          |             |

TOTAL \$ \_\_\_\_\_

EXHIBIT B

DEBT SERVICE SCHEDULE

| 10 Years |          |             |  |
|----------|----------|-------------|--|
|          | Dated    |             |  |
|          | Date     | 1/14/10     |  |
|          | Delivery |             |  |
|          | Date     | 1/14/10     |  |
| Period   | Debt     | Principal   |  |
| Ending   | Service  | Forgiveness |  |
| 1/14/10  |          |             |  |
| 9/1/11   | -23,175  | -23,175     |  |
| 12/1/11  | -23,175  | -23,175     |  |
| 3/1/12   | -23,175  | -23,175     |  |
| 6/1/12   | -23,175  | -23,175     |  |
| 9/1/12   | -23,175  | -23,175     |  |
| 12/1/12  | -23,175  | -23,175     |  |
| 3/1/13   | -23,175  | -23,175     |  |
| 6/1/13   | -23,175  | -23,175     |  |
| 9/1/13   | -23,175  | -23,175     |  |
| 12/1/13  | -23,175  | -23,175     |  |
| 3/1/14   | -23,175  | -23,175     |  |
| 6/1/14   | -23,175  | -23,175     |  |
| 9/1/14   | -23,175  | -23,175     |  |
| 12/1/14  | -23,175  | -23,175     |  |
| 3/1/15   | -23,175  | -23,175     |  |
| 6/1/15   | -23,175  | -23,175     |  |
| 9/1/15   | -23,175  | -23,175     |  |
| 12/1/15  | -23,175  | -23,175     |  |
| 3/1/16   | -23,175  | -23,175     |  |
| 6/1/16   | -23,175  | -23,175     |  |
| 9/1/16   | -23,175  | -23,175     |  |
| 12/1/16  | -23,175  | -23,175     |  |
| 3/1/17   | -23,175  | -23,175     |  |
| 6/1/17   | -23,175  | -23,175     |  |
| 9/1/17   | -23,175  | -23,175     |  |
| 12/1/17  | -23,175  | -23,175     |  |
| 3/1/18   | -23,175  | -23,175     |  |
| 6/1/18   | -23,175  | -23,175     |  |
| 9/1/18   | -23,175  | -23,175     |  |
| 12/1/18  | -23,175  | -23,175     |  |
| 3/1/19   | -23,175  | -23,175     |  |
| 6/1/19   | -23,175  | -23,175     |  |
| 9/1/19   | -23,175  | -23,175     |  |
| 12/1/19  | -23,175  | -23,175     |  |
| 3/1/20   | -23,175  | -23,175     |  |
| 6/1/20   | -23,175  | -23,175     |  |
| 9/1/20   | -23,175  | -23,175     |  |
| 12/1/20  | -23,175  | -23,175     |  |
| 3/1/21   | -23,175  | -23,175     |  |
| 6/1/21   | -23,175  | -23,175     |  |
|          | 927,000  | 927,000     |  |

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: \_\_\_\_\_, 20\_\_\_\_.

In the presence of:

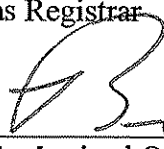
\_\_\_\_\_

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: January 14, 2010.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

  
\_\_\_\_\_  
Authorized Officer

**SPECIMEN**



Chase Tower, Sixth Floor  
P.O. Box 2190  
Clarksburg, WV 26302-2190  
(304) 624-8000 (304) 624-8183 Fax  
[www.steptoeljohnson.com](http://www.steptoeljohnson.com)

Writer's Contact Information

January 14, 2010

City of Salem  
Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program)

City of Salem  
Salem, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

West Virginia Bureau for Public Health  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the City of Salem (the "Issuer"), a municipal corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$900,000 Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a ARRA Assistance Agreement dated January 14, 2010, including all schedules and exhibits attached thereto (the "ARRA Assistance Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the ARRA Assistance Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal to the Authority, bearing no interest, with principal installments payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2011, to and including June 1, 2041, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds are not subject to the DWTRF Administrative Fee.

The Bonds are 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 16, Article 13C of the West Virginia Code of 1931, as amended

(collectively, the "Act"), for the purposes of (i) providing a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and construction of additions, betterments and improvements to its existing public waterworks system as necessary for the District to supply potable water to the Issuer, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (collectively, the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act and the Bond Ordinance duly enacted by the Issuer on October 13, 2009, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 2009 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the ARRA Assistance Agreement has been entered into. The 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 Bond Legislation and the ARRA Assistance Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the ARRA Assistance Agreement when used herein.

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

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to make the contribution in aid of construction to the District for purposes of the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The ARRA Assistance Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the BPH and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or the BPH or diminish the obligations of the Issuer without the written consent of the Authority and the BPH.

3. The Bond Legislation and all other necessary ordinances, orders and resolutions have been duly and effectively enacted and adopted by the Issuer in connection with the issuance and sale of the Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the ARRA Assistance Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Gross Revenues of the System and secured by a first lien on and pledge of the Gross Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA) dated January 14, 2010, issued concurrently with the Bonds in the original aggregate principal amount of \$927,000.

5. The Bonds, together with any interest thereon are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof.

6. The Bonds have not been issued on the basis that the interest thereon, if any, is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the ARRA Assistance Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion and the application of equitable remedies in appropriate cases.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Steptoe & Johnson PLLC", written over a horizontal line.

STEPTOE & JOHNSON PLLC



Chase Tower, Sixth Floor  
P.O. Box 2190  
Clarksburg, WV 26302-2190  
(304) 624-8000 (304) 624-8183 Fax  
[www.steptoehjohnson.com](http://www.steptoehjohnson.com)

Writer's Contact Information

January 14, 2010

City of Salem  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

City of Salem  
Salem, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

West Virginia Bureau for Public Health  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the City of Salem (the "Issuer"), a municipal corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$927,000 Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a ARRA Assistance Agreement, dated January 14, 2010, including all schedules and exhibits attached thereto (the "ARRA Assistance Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the ARRA Assistance Agreement. The Bonds are originally issued in the principal amount of \$927,000, in the form of one Bond, bearing no interest, registered as to principal only to the Authority, with 100% of the principal being forgiven in accordance with the ARRA Assistance Agreement. The Bonds are not subject to the DWTRF Administrative Fee.

The Bonds are 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 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) providing a contribution in aid of construction to the Sun Valley Public Service District (the "District") in order to pay a portion of the costs to be incurred by the District in its undertaking the acquisition and

construction of additions, betterments and improvements to its existing public waterworks system as necessary for the District to supply potable water to the Issuer, together with all necessary appurtenances, and to the extent that sufficient funds remain therefore, to undertake the acquisition and construction of additions, betterments and improvements to the Issuer's existing waterworks system (collectively, the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act and the Bond Ordinance duly enacted by the Issuer on October 13, 2009, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 17, 2009 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the ARRA Assistance Agreement has been entered into. The 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 Bond Legislation and the ARRA Assistance Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the ARRA Assistance Agreement when used herein.

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

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to make the contribution in aid of construction to the District for the construction of the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The ARRA Assistance Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the BPH and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or the BPH or diminish the obligations of the Issuer without the written consent of the Authority and the BPH.

3. The Bond Legislation and all other necessary ordinances, orders and resolutions have been duly and effectively enacted and adopted by the Issuer in connection with the issuance and sale of the Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the ARRA Assistance Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding

special obligations of the Issuer, payable from the Gross Revenues of the System and secured by a first lien on and pledge of the Gross Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) dated January 14, 2010, issued in the original aggregate principal amount of \$900,000 issued concurrently herewith.

5. The Bonds, together with any interest thereon are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof.

6. The Bonds have not been issued on the basis that the interest thereon, if any, is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the ARRA Assistance Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion and the application of equitable remedies in appropriate cases.

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

Very truly yours,

A handwritten signature in cursive script that reads "Steptoe & Johnson PLLC".

STEPTOE & JOHNSON PLLC



Chase Tower, Sixth Floor

P.O. Box 2190

Clarksburg, WV 26302-2190

(304) 624-8000 (304) 624-8183 Fax

www.step toe-johnson.com

Writer's Contact Information

January 14, 2010

City of Salem  
Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

City of Salem  
Salem, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

West Virginia Bureau for Public Health  
Charleston, West Virginia

Ladies and Gentlemen:

We are counsel to the City of Salem, in Harrison County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, an ARRA Assistance Agreement dated January 14, 2010, including all schedules and exhibits attached thereto (the "ARRA Assistance Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), the Bond Ordinance duly enacted by the Issuer on October 13, 2009, as supplemented by the Supplemental Resolution duly adopted by the Issuer on December 17, 2009 (collectively, the "Bond Legislation"), and other documents relating to the above-captioned Bonds of the Issuer (the "Bonds"). Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the ARRA Assistance Agreement when used herein.

We are of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipal corporation and political subdivision of the State of West Virginia, with full power and authority to make the contribution in aid of construction to Sun Valley Public Service

District (the "District") for the Project, to operate and maintain the System and to enact the Bond Legislation, all under the Act and other applicable provisions of law, and the City Manager, Mayor, City Clerk and members of the council of the Issuer have been duly and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.

2. The Bond Legislation has been duly adopted and enacted by the Issuer and is in full force and effect.

3. The ARRA Assistance Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.

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

5. To the best of our knowledge following due inquiry, the Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the issuance of the Bonds, the contribution in aid of construction to the District for the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders and approvals from the BPH and the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance dated November 9, 2004 prescribing such rates and charges. Such ordinance remains in full force and effect.

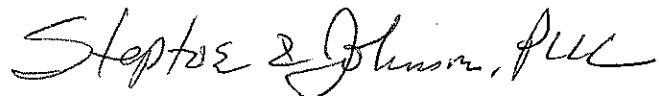
6. To the best of our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds, the ARRA Assistance Agreement, the Bond Legislation, the contribution in aid of construction to the District for the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Gross Revenues therefor.

7. The Issuer has received all approvals necessary to the enforceability of the Water Purchase Agreement, dated March 24, 2009, between the Issuer and the Clarksburg Water Board (the "Water Purchase Agreement"), including but not limited to, the Recommended Decision of the Public Service Commission of West Virginia, entered

on December 16, 2009, which became a final order of the PSC on January 2, 2010, in Case No. 07-0327-PWD-CN (the "PSC Order"), which, among other things, approves the form of the Water Purchase Agreement and the execution and delivery thereof by the parties thereto, and such Water Purchase Agreement has been duly executed and delivered by the Issuer and assuming due execution and delivery by the Clarksburg Water Board such Agreement is in full force and effect on the date hereof.

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

Very truly yours,

  
STEPTOE & JOHNSON PLLC



Chase Tower, Sixth Floor  
P.O. Box 2190  
Clarksburg, WV 26302-2190  
304-624-8000 304-624-8183 Fax  
www.steptoe-johnson.com

Writer's Contact Information  
ronald.hanlan@steptoe-johnson.com  
304-624-8108

January 14, 2010

City of Salem, West Virginia (Issuer)  
229 West Main Street  
Salem, West Virginia 26426

West Virginia Bureau for Public Health  
One Davis Square, Suite 20  
Charleston, WV 25301

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

Re: Final Title Opinion for the City of Salem, West Virginia for the Sun Valley  
Public Service District Water Line Extension Project IJDC# 98-W-421

Ladies and Gentlemen:

We are counsel to the City of Salem, West Virginia (the "Issuer") in connection with a contribution in aid of construction to Sun Valley Public Service District (the "District") for a proposed project to construct a main water line extension to provide drinking water to the Issuer from the Clarksburg Water Board through new water transportation lines being constructed by Sun Valley Public Service District (the "Project"). We provide this final title opinion on behalf of the Issuer to satisfy the requirements of the West Virginia Drinking Water Treatment Revolving Fund for the West Virginia Bureau for Public Health (the "BPH") for the Project. Please be advised of the following:

1. We are of the opinion that the Issuer is a duly created and validly existing municipal corporation possessed with all the powers and authority granted to municipal corporations under the laws of the State of West Virginia to make the contribution in aid of construction to the Project as approved by the BPH; and further that the Issuer is a duly constituted and authorized public water utility possessed with all the powers and authority necessary to operate and maintain its presently existing municipal public water distribution system (the "System") as the same presently exists.

2. We have investigated and ascertained the location of, and are familiar with the legal description of, the necessary sites, including easements and/or rights of way, required for the operation of the Issuer's System as the same presently exists.

3. We have examined the records on file in the Office of the Clerk of the County Commission of Harrison County, West Virginia, the county in which the Project is to be located and in which the Issuer presently operates its System; and, in our opinion, the Issuer has acquired legal title or such other estate or interest in all of the necessary site components for its System, including all easements and/or rights of way sufficient to assure undisturbed use and possession for the purpose of operation and maintenance of its System for the estimated life of the Project.

4. All deeds, easements and rights of way which have been acquired to date by the Issuer have been duly recorded in the Office of the Clerk of the County Commission of Harrison County to protect the legal title to and interest of the Issuer in and to its System.

5. There are no rights of way or easements or any other property rights or property acquisitions which must be obtained by the Issuer in connection with the Project improvements to be constructed by the District.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Steptoe & Johnson PLLC", written in dark ink.

STEPTOE & JOHNSON PLLC

CITY OF SALEM

Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. ARRA ASSISTANCE AGREEMENT
10. RATES
11. SIGNATURES AND DELIVERY
12. BOND PROCEEDS
13. PUBLICATION AND PUBLIC HEARING ON BOND  
ORDINANCE
14. PUBLIC SERVICE COMMISSION ORDER
15. SPECIMEN BONDS
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. SCHEDULE B FOR PROJECT
19. EXECUTION OF COUNTERPARTS

We, the undersigned CITY MANAGER, MAYOR and CITY CLERK of the City of Salem in Harrison County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, hereby certify, on this the 14th day of January, 2010, in connection with the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) (the "Series 2010 A Bonds"), and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA) (the "Series 2010 B Bonds") dated the date hereof (collectively the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Ordinance of the Issuer duly enacted October 13, 2009, and the Supplemental Resolution duly adopted December 17, 2009 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the contribution in aid of construction to Sun Valley Public Service

District (the "District") for the Project, the operation of the System, the receipt of the Gross Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Gross Revenues or any other monies or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the contribution in aid of construction to the District for the Project, the operation of the System, the collection of the Gross Revenues or the pledge of Gross Revenues as security for the Bonds.

3. GOVERNMENTAL APPROVALS: All applicable approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the Issuer's contribution in aid of construction to the District for the Project, the operation of the System, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the ARRA Assistance Agreement, and the Issuer has met all conditions prescribed in the ARRA Assistance Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are no outstanding obligations of the Issuer which will rank on a parity with the Series 2010 Bonds as to liens, pledge, source of and security for payment.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended or changed in any way unless modification appears from later documents also listed below:

Bond Ordinance

Supplemental Resolution

ARRA Assistance Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

Specimen Bond, Series 2010 A

Specimen Bond, Series 2010 B

Closing Memorandum

Sweep Resolution

IJDC Grant Agreement

Water Purchase Agreement with Clarksburg Water Board

Charter and Rules of Procedure

Oaths of Office of Officers and Council Members

Water Rate Ordinance

Minutes on Adoption and Enactment of Rate Ordinance

Affidavit of Publication of Rate Ordinance and Notice of Public Hearing

Minutes on Adoption and Enactment of Bond Ordinance, Adoption of Supplemental Resolution and Sweep Resolution

Affidavit of Publication of Abstract of Bond Ordinance and Notice of Public Hearing

Municipal Bond Commission New Issue Reports

(A) Series 2010 A

(B) Series 2010 B

Evidence of Insurance

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Salem." The Issuer is a municipal corporation in Harrison County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its council, consisting of a Mayor and six (6) council members, all duly elected or appointed, as applicable, qualified and acting, and whose names and dates of commencement and termination of current terms of office are as follows:

| Name                   | Date of<br>Commencement<br>of Office | Date of<br>Termination<br>of Office |
|------------------------|--------------------------------------|-------------------------------------|
| James Plaughner, Mayor | July 1, 2009                         | June 30, 2013                       |
| Arlen Swiger           | July 1, 2007                         | June 30, 2011                       |
| Alfonse Romagnoli      | July 1, 2009                         | June 30, 2013                       |
| David Fisher           | July 1, 2007                         | June 30, 2011                       |
| Israel James Williams  | July 1, 2009                         | June 30, 2013                       |

|             |              |               |
|-------------|--------------|---------------|
| Tim Cork    | July 1, 2007 | June 30, 2011 |
| Pam Holston | July 1, 2009 | June 30, 2013 |

The duly appointed and acting Counsel to the Issuer is Steptoe & Johnson PLLC, Clarksburg, West Virginia. The duly appointed and acting City Clerk of the Issuer is Sherry Lovett Olenick.

7. LAND AND RIGHTS-OF-WAY: The Project improvements consisting of the construction by the District of a main water line extension as necessary to enable the District to supply treated potable water to the Issuer shall be constructed and owned by the District. Consequently, the District is responsible for obtaining all real property rights which may be necessary for the District to undertake the construction of the Project and to operate and maintain the same following completion of construction.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the contribution in aid of construction by the Issuer to the District and the financing thereof or the operation of the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. ARRA ASSISTANCE AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the ARRA Assistance Agreement are true and correct in all material respects as if made on the date hereof; (ii) the ARRA Assistance Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the ARRA Assistance Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the ARRA Assistance Agreement not misleading; and (iv) the Issuer is in compliance with the ARRA Assistance Agreement.

The Issuer hereby covenants and agrees to comply with the terms and conditions set forth in the special conditions of the ARRA Assistance Agreement attached hereto as Exhibit A and incorporated herein by reference.

10. RATES: The Issuer has duly enacted a water rate ordinance setting rates and charges for the services of the System on November 9, 2004. The time for appeal has expired prior to the date hereof without appeal and such rates remain in full force and effect.

11. SIGNATURES AND DELIVERY: On the date hereof, the undersigned City Manager and Mayor did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond for each series, dated the date hereof, by their manual signatures, and the undersigned City Clerk did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the ARRA Assistance Agreement. Said official seal of the Issuer is also impressed above the signatures appearing on this certificate.

12. BOND PROCEEDS: On the date hereof, the Issuer received \$450,000 from the Authority and the BPH, being a portion of the principal amount of the Series 2010 A Bonds. On the date hereof, the Issuer received \$27,000 from the Authority and the BPH, being a portion of the principal amount of the Series 2010 B Bonds. The balance of the principal amount of the Series 2010 A Bonds and Series 2010 B Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

13. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Governing Body to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in the *Exponent-Telegram*, a qualified newspaper of general circulation in the City of Salem, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Bond Ordinance, stating that any person interested may appear before the Governing Body at the public hearing held at a public meeting of the Governing Body on the 13<sup>th</sup> day of October, 2009, at 5:30 p.m., at the City Hall in Salem, West Virginia, and present protests, and stating that a certified copy of the Bond Ordinance was on file at the office of the City Clerk of the Issuer for review by interested parties during the office hours of the Issuer. At such hearing all objections and suggestions were heard by the Governing Body and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

14. PUBLIC SERVICE COMMISSION ORDER: The District has received the Recommended Decision of the Public Service Commission of West Virginia entered December 16, 2009, as amended by a Corrective Order entered on December 18, 2009, which became the Final Order of the Commission on January 2, 2010 in Case No. 07-0327-PWD-CN, (the "Order") among other things, granting to the District a certificate of convenience and necessity for the construction of the Project, setting the water rates and charges of the District and approving the financing for the Project improvements to the District's system. The parties to the Recommended Decision have waived the right to file exceptions thereto. The parties to the Final Order have filed written waivers of their rights to appeal such Final Order to the West Virginia Supreme Court of Appeals. Such Order is in full force and effect.

15. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Series 2010 Bonds.

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

17. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has not procured engineering services in connection with the Project improvements to the District's system. The District has retained a consulting engineer in connection with the design and construction of the Project.

18. SCHEDULE B FOR PROJECT: The Schedule B for the Project which has been executed and delivered by the Issuer in connection with the closing on the issuance of the Bonds contains an accurate recitation of the sources and uses of funding provided by Salem for the Project.

19. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures and the official seal of the CITY OF SALEM on the  
day and year first written above.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Jane Plaugher

Mayor

Dan...

City Manager

Doug Davis

City Clerk

Robert H. Hale

Counsel to the Issuer

## EXHIBIT A

### Special Conditions – ARRA Funded Projects

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

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) – Effective October 1, 2003, the Local Government that receives \$500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Government.

C. BUY AMERICAN CERTIFICATION – The Local Government shall cause the contractor(s) to comply with, and provide certification of, the Buy American provisions of the ARRA in accordance with final guidance from the EPA.

D. ASSET MANAGEMENT – The Local Government shall develop and implement an asset management plan in accordance with guidelines issued by DEP and is approved by DEP.

E. CONTRACTS – The Local Government shall enter into contracts or commence construction by February 17, 2010.

F. LOGO – The Local Government must display the ARRA logo in a manner that informs the public that the project is an ARRA investment.

G. LOBBYING - The Local Government shall comply with Title 40 CFR Part 34, New Restrictions on Lobbying and shall submit certification and disclosure forms as required by DEP.

H. PURCHASING REQUIREMENTS – The Local Government shall comply with Section 6002 of the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. 6962). Regulations issued under RCRA Section 6002 apply to any acquisition of an item where the purchase price exceeds \$10,000 or where the quantity of such items acquired in the course of the preceding fiscal year was \$10,000 or more. RCRA Section 6002 requires that preference be given in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by EPA. These guidelines are listed in 40 CFR 247.

I. SUSPENSION AND DEBARMENT – The Local Government shall comply with Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled “Responsibilities of Participants Regarding Transactions (Doing Business with Other Persons). To the extent required by DEP, the Local Government shall provide certifications as to compliance.

J. REPORTING – The Local Government shall comply with all requests for data related to the use of the funds provided under this agreement, including the information required in section 1512 of ARRA when requested by DEP.

K. INSPECTOR GENERAL REVIEWS – The Local Government shall allow any appropriate representative of the Office of US Inspector General to (1) examine its records relating to the Project and this ARRA Assistance Agreement and (2) interview any officer or employee of the Local Government.

L. FALSE CLAIMS – The Local Government must promptly refer to EPA’s Inspector General any credible evidence that a principal, employee, agent, sub-grantee contractor, subcontractor, loan recipient, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving funds provided under this ARRA Assistance Agreement.

M. LIMIT ON FUNDS – The Local Government shall not use funds for particular activities for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

N. WAGE RATES – The Local Government shall require that all laborers and mechanics employed by its contractors and subcontractors be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 32 of title 40, United States Code. The Local Government must require that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing wage rate requirements applicable to ARRA funds.

O. OFFICE OF MANAGEMENT AND BUDGET (OMB) GUIDANCE – The Local Government acknowledges and agrees that this ARRA Assistance is subject to all applicable provisions of implementing guidance for the American Recovery and Reinvestment Act of 2009 issued by the United States Office of Management and Budget, including the Initial Implementing Guidance for the American Recovery and Reinvestment Act (M-09-10) issued on February 18, 2009 and available on [www.recovery.gov](http://www.recovery.gov), and any subsequent guidance documents issued by OMB.

P. DISADVANTAGED BUSINESS ENTERPRISE – Pursuant to 40 CFR, Section 33.301, the Local Government agrees to make good faith efforts whenever procuring construction, equipment, services and supplies, and to require that prime contractors also

comply. The Local Government shall provide DEP with MBE/WBE participation reports semi-annually.

Q. CIVIL RIGHTS – The Local Government shall comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title IX of the Education Amendments of 1972, the Age Discrimination Act of 1975, and a variety of program-specific statutes with nondiscrimination requirements. The Local Government shall also comply with Title VII of the Civil Rights Act of 1964 (prohibiting race, color, national origin, religion, and sex discrimination in employment), the Americans with Disabilities Act (prohibiting disability discrimination in employment and in services provided by State and local governments, businesses, and non-profit agencies), and the Fair Housing Act (prohibiting race, color, national origin, age, family status, and disability discrimination in housing), as well as any other applicable civil rights laws.

R. BOND DESIGNATION – Each Local Bond funded by ARRA funds shall be designated “Series [2010] B” and shall contain “(West Virginia DWTRF Program/ARRA)” in the bond name.

S. USER RATES – The Local Government shall covenant that it will not reduce its approved or enacted customer rates for at least eighteen months after completion of the Project or until such time as a cost of service study has been completed establishing the actual operation and maintenance expenses.

T. NEW CUSTOMERS- The Local Government is serving no additional customers in connection with the Project. The Local Government shall not reduce the amount of additional customers served by the Project without the prior written approval of the WDA Board.

U. MAINTENANCE AUDIT- The Local Government shall perform an annual maintenance audit which maintenance audit shall be submitted to the WDA and the Public Service Commission of West Virginia.

**SUN VALLEY PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2010A  
(UNITED STATES DEPARTMENT OF AGRICULTURE),  
WATER REVENUE BONDS, SERIES 2010B  
(WEST VIRGINIA DWTRF PROGRAM)  
AND  
WATER REVENUE BONDS, SERIES 2010C  
(WEST VIRGINIA DWTRF PROGRAM (ARRA))**

**CERTIFICATE OF ENGINEER**

I, Clay P. Riley, Registered Professional Engineer, West Virginia License No. 15634, of Thrasher Engineering, Inc. Consulting Engineers, Clarksburg, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain additions, betterments and improvements (the "Project") to the existing public water system (the "System") of the Sun Valley Public Service District (the "Issuer"), to be constructed primarily in Harrison, County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words used herein and not defined herein shall have the same meaning set forth in the Bond Resolutions adopted by the Issuer on January 12, 1010, and the ARRA Assistance Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), dated January 14, 2010.

2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of the Project; and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the BPH and the Purchaser and any change orders approved by the Issuer, BPH, the Purchaser and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in Schedule B attached hereto as Exhibit A, and in reliance on the opinion of West and Jones all successful bidders 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 for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the Purchaser and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the

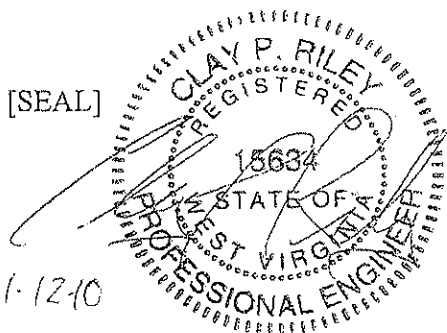
laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; and (ix) in reliance upon the certificate of Tetrick & Bartlett, PLLC of even date herewith, as of the effective date thereof, the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the ARRA Assistance Agreement, (x) 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 the grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by BPH and the Purchaser; and (xi) attached hereto as Exhibit A is the final amended "Schedule B – Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this 14<sup>th</sup> day of January, 2010.

THRASHER ENGINEERING, INC.

By: Clay P. Riley

Its: Project Manager  
West Virginia License No. 15634



**WEST VIRGINIA BUREAU FOR PUBLIC HEALTH  
SCHEDULE B**

SUN VALLEY PUBLIC SERVICE DISTRICT  
ROUTE 50 WEST WATER LINE EXTENSION PROJECT (JDC 98W-421)  
TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

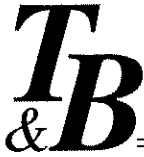
| A. Cost of Project   |                                              | Total          | RUS LOAN       | RUS GRANTS     | DWTRF ARRA<br>PRINCIPAL<br>FORGIVENESS | DWTRF BASE<br>LOAN<br>SALEM | DWTRF ARRA<br>PRINCIPAL<br>FORGIVENESS | DWTRF BASE<br>LOAN<br>SUN VALLEY | JUDC GRANT  |
|----------------------|----------------------------------------------|----------------|----------------|----------------|----------------------------------------|-----------------------------|----------------------------------------|----------------------------------|-------------|
| 1.                   | a. Construction                              |                |                |                |                                        |                             |                                        |                                  |             |
|                      | Contract 1 Stonegate                         | \$2,234,310.00 | \$0.00         | \$0.00         | \$900,000.00                           | \$900,000.00                | \$286,176.00                           | \$121,134.00                     | \$27,000.00 |
|                      | Contract 2 Stonegate                         | \$1,486,824.00 | \$0.00         | \$0.00         |                                        |                             | \$1,486,824.00                         |                                  |             |
|                      | Contract 3 Stonegate                         | \$1,650,000.00 | \$900,000.00   | \$750,000.00   |                                        |                             |                                        |                                  |             |
|                      | Contract 4 Mid-Atlantic                      | \$549,790.00   | \$221,200.00   | \$200,224.00   |                                        |                             |                                        | \$128,366.00                     |             |
|                      | Total Construction                           | \$5,920,924.00 | \$1,121,200.00 | \$950,224.00   | \$900,000.00                           | \$900,000.00                | \$1,773,000.00                         | \$249,500.00                     | \$27,000.00 |
|                      | b. Construction Contingency                  | \$592,000.00   | \$245,000.00   | \$347,000.00   |                                        |                             |                                        |                                  |             |
|                      | c. Misc. Equipment                           | \$97,576.00    |                | \$97,576.00    |                                        |                             |                                        |                                  |             |
| 2.                   | Technical Services (Thrasher)                |                |                |                |                                        |                             |                                        |                                  |             |
|                      | a. Basic \$450,000                           |                |                |                |                                        |                             |                                        |                                  |             |
|                      | b. Inspection \$370,000                      |                |                |                |                                        |                             |                                        |                                  |             |
|                      | c. Special Services \$80,000                 |                |                |                |                                        |                             |                                        |                                  |             |
|                      | Total Engineering                            | \$900,000.00   | \$500,000.00   | \$400,000.00   |                                        |                             |                                        |                                  |             |
| 3.                   | Legal & Fiscal                               |                |                |                |                                        |                             |                                        |                                  |             |
|                      | a. Legal (West and Jones)                    | \$26,000.00    | \$20,800.00    | \$5,200.00     |                                        |                             |                                        |                                  |             |
|                      | b. Accounting (Tetrick and Bartlett)         | \$10,000.00    | \$10,000.00    |                |                                        |                             |                                        | \$50,000.00                      |             |
| 4.                   | Sites and Other Lands                        | \$40,127.00    | \$10,127.00    |                |                                        |                             |                                        |                                  |             |
| 5.                   | Miscellaneous                                |                |                |                |                                        |                             |                                        |                                  |             |
|                      | Administration                               | \$20,000.00    |                |                |                                        |                             |                                        | \$20,000.00                      |             |
| 6.                   | Interim Financing                            |                |                |                |                                        |                             |                                        |                                  |             |
| 7.                   | Project Contingency                          | \$114,873.00   | \$64,873.00    | \$50,000.00    |                                        |                             |                                        |                                  |             |
| 8.                   | Sub total of Lines 1 through 6               | \$7,721,500.00 | \$1,972,000.00 | \$1,850,000.00 | \$900,000.00                           | \$900,000.00                | \$1,773,000.00                         | \$299,500.00                     | \$27,000.00 |
| B. Cost of Financing |                                              |                |                |                |                                        |                             |                                        |                                  |             |
| 9.                   | Funded Reserve Account                       |                |                |                |                                        |                             |                                        |                                  |             |
| 10.                  | Capitalized Interest                         | \$198,000.00   | \$198,000.00   |                |                                        |                             |                                        |                                  |             |
| 11.                  | Other Costs                                  |                |                |                |                                        |                             |                                        |                                  |             |
|                      | a. Bond Counsel (Bowles Rice)                | \$30,000.00    | \$30,000.00    |                |                                        |                             |                                        |                                  |             |
|                      | b. Bank Registrar Fee                        | \$500.00       |                |                |                                        |                             |                                        | \$500.00                         |             |
| 12.                  | Total Cost of Financing (lines 9 through 11) | \$228,500.00   | \$228,000.00   |                |                                        |                             |                                        | \$500.00                         |             |
| 13.                  | Total Project Cost (line 7 plus line 12)     | \$7,950,000.00 | \$2,200,000.00 | \$1,850,000.00 | \$900,000.00                           | \$900,000.00                | \$1,773,000.00                         | \$300,000.00                     | \$27,000.00 |
| C. Sources of Funds  |                                              |                |                |                |                                        |                             |                                        |                                  |             |
| 14.                  | Federal Grants: (RUS)                        | \$1,850,000.00 |                | \$1,850,000.00 |                                        |                             |                                        |                                  |             |
| 15.                  | State Grants: (JUDC)                         | \$27,000.00    |                |                |                                        |                             |                                        |                                  | \$27,000.00 |
| 16.                  | Other Grants-Contribution by Salem, WV       | \$1,800,000.00 |                | \$900,000.00   | \$900,000.00                           | \$900,000.00                |                                        |                                  |             |
| 17.                  | Total Grants (lines 14 through 16)           | \$3,677,000.00 |                |                |                                        |                             |                                        |                                  |             |
| 18.                  | Size of Bond Issue (Line 13 minus line 17)   | \$4,273,000.00 | \$2,200,000.00 |                |                                        |                             |                                        | \$300,000.00                     |             |

*[Signature]*  
CHAIRMAN, SUN VALLEY PUBLIC SERVICE DISTRICT

*[Signature]*  
CONSULTING ENGINEER

DATE: 1-12-2010

DATE: 1-12-10



***Tetrick & Bartlett, PLLC***  
*Certified Public Accountants*  
*Consultants*

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122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • [www.tetrickbartlett.com](http://www.tetrickbartlett.com)

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January 14, 2010

City of Salem

Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

City of Salem  
Salem, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

West Virginia Bureau for Public Health  
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges as set forth in the Water Rate Ordinance enacted by the City of Salem (the "Issuer") on November 9, 2004, and the projected operating expenses and the anticipated customer usage as furnished to us by the City of Salem (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will pay all operating expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) (the "Series 2010 A Bonds") and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA) (the "Series 2010 B Bonds" and collectively with the Series 2010 A Bonds, the "Bonds") and all other obligations secured by a lien on or payable from such revenues as defined in the Bond Ordinance authorizing the Bonds.

Very truly yours,

*Tetrick & Bartlett, PLLC*

Tetrick & Bartlett, PLLC

CITY OF SALEM

Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned City Manager, Mayor and City Clerk of the City of Salem in Harrison County, West Virginia (the "Issuer"), being the officials of the Issuer duly charged with the responsibility for the issuance of \$900,000 Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) (the "Series 2010 A Bonds") and \$927,000 Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), of the Issuer, both dated January 14, 2010 (the "Series 2010 B Bonds" and collectively the "Bonds" or the "Series 2010 Bonds") on the 14th day of January, 2010, hereby certify as follows:

1. We are the officers of the Issuer duly charged with the responsibility of issuing the Bonds. We are familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Ordinance duly enacted by the Issuer on October 13, 2009, as supplemented by the Supplemental Resolution duly adopted on December 17, 2009 (collectively, the "Bond Ordinance"), authorizing the Bonds.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on January 14, 2010, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2010 Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Ordinance pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest, if any, on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Bureau for Public Health (the "BPH"), as the case may be, from which the proceeds of the Bonds are derived, to

lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2010 A Bonds were sold on January 14, 2010, to the Authority, pursuant to an ARRA Assistance Agreement dated January 14, 2010, by and between the Issuer and the Authority, on behalf of the BPH, for an aggregate purchase price of \$900,000 (100% of par), at which time the Issuer received \$450,000 from the Authority and the BPH, being the first advance of the principal amount of the Series 2010 A Bonds. No accrued interest has been or will be paid on the Series 2010 A Bonds. The balance of the principal amount of the Series 2010 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2010 B Bonds were sold on January 14, 2010, to the Authority, pursuant to an ARRA Assistance Agreement dated January 14, 2010, by and between the Issuer and the Authority, on behalf of the BPH, for an aggregate purchase price of \$927,000 (100% of par), at which time the Issuer received \$27,000 from the Authority and the BPH, being the first advance of the principal amount of the Series 2010 A Bonds. No accrued interest has been or will be paid on the Series 2010 B Bonds. The balance of the principal amount of the Series 2010 B Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

7. The Series 2010 A Bonds and Series 2010 B Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) financing a contribution in aid of construction by the Issuer to the District in order to pay a portion of the cost to be incurred by the District in constructing facilities necessary to supply treated potable water to the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Bonds and related costs.

8. Within 30 days after the delivery of the Series 2010 Bonds, it is expected that the District will enter into agreements which require the District to expend at least 5% of the net sale proceeds of the Bonds on the Project, constituting a substantial binding commitment.

9. The total cost of the Project, a portion of which is financed from the proceeds of the Series 2010 Bonds (including all costs of issuance of the Series 2010 Bonds), is estimated at \$1,951,000. Sources and uses of funds for the Project are as follows:

#### SOURCES

|                                     |                    |
|-------------------------------------|--------------------|
| Proceeds of the Series 2010 A Bonds | \$ 900,000         |
| Proceeds of the Series 2010 B Bonds | \$ 927,000         |
| Proceeds of IJDC Grant              | \$ 124,000         |
| Total Sources                       | <u>\$1,951,000</u> |

## USES

|                                                                                     |                         |
|-------------------------------------------------------------------------------------|-------------------------|
| Contribution in aid of Construction<br>to District for Project                      | \$ 1,800,000            |
| Application of IJDC Grant to<br>Payment of Professional Service<br>Fees for Project | \$ 124,000              |
| Costs of Issuance                                                                   | \$ 27,000               |
| <br>Total Uses                                                                      | <br><u>\$ 1,951,000</u> |

10. Pursuant to Article V of the Bond Ordinance, the following special funds or accounts have been created relative to the Series 2010 Bonds:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2010 Bonds Construction Trust Fund;
- (4) Series 2010 A Bonds Sinking Fund;
- (5) Series 2010 A Bonds Reserve Account;
- (6) Series 2010 B Bonds Sinking Fund; and
- (7) Series 2010 B Bonds Reserve Account.

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

- (1) Series 2010 A Bonds proceeds in the amount of \$-0- will be deposited in the Series 2010 A Bonds Reserve Account.
- (2) The balance of the proceeds of the Series 2010 A Bonds will be advanced to the Issuer as such proceeds are requisitioned from time to time and applied solely to payment of costs of the Project.
- (3) Series 2010 B Bonds proceeds in the amount of \$-0- will be deposited in the Series 2010 B Bonds Reserve Account.
- (4) The balance of the proceeds of the Series 2010 B Bonds will be advanced to the Issuer as such proceeds are requisitioned from time to time and applied solely to payment of costs of the Project.

12. Monies held in the Series 2010 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2010 A Bonds and will not be available to meet costs of the Project. All investment earnings on monies in the Series 2010 A Bonds Sinking Fund and Series 2010 A Bonds Reserve Account will be withdrawn therefrom and deposited not less than once each year in the Revenue Fund, and such amounts will be applied as set forth in the Bond Ordinance.

13. Monies held in the Series 2010 B Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2010 B Bonds and will not be available to meet costs of the Project. All investment earnings on monies in the Series 2010 B Bonds Sinking Fund and Series 2010 B Bonds Reserve Account will be withdrawn therefrom and deposited not less than once each year in the Revenue Fund, and such amounts will be applied as set forth in the Bond Ordinance.

14. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

15. With the exception of the amount deposited in the Series 2010 A Bonds Reserve Account and Series 2010 B Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended for the contribution in aid of construction by the Issuer to the District.

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

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

18. The Bonds are not federally guaranteed.

19. The Issuer has retained the right to amend the Bond Ordinance authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain governmental bonds.

20. The Issuer has either (a) funded the Series 2010 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 2010 A Bonds in the then current or any succeeding year with the proceeds of the Series 2010 A Bonds, or (b) created the Series 2010 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2010 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 2010 A Bonds in the then current or any succeeding year. Monies in the Series 2010 A Bonds Reserve Account and the Series 2010 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2010 A Bonds and will not be available to pay costs of the Project.

21. The Issuer has either (a) funded the Series 2010 B Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 2010 B Bonds in the then current or any succeeding year with the proceeds of the Series 2010 B Bonds, or (b) created the Series 2010 B Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2010 B Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 2010 B Bonds in the then current or any succeeding year. Monies in the Series 2010 B Bonds Reserve Account and the Series 2010 B Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2010 B Bonds and will not be available to pay costs of the Project.

22. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

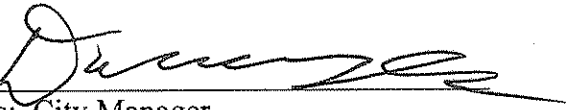
23. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

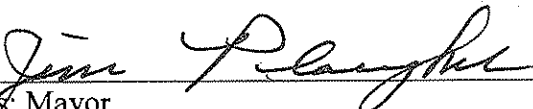
24. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

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

WITNESS our signatures on the day and year first written above.

CITY OF SALEM

By:   
Its: City Manager

By:   
Its: Mayor

**WV MUNICIPAL BOND COMMISSION**

1207 Quarrier Street  
Suite 401  
Charleston, WV 25301  
(304) 558-3971

**NEW ISSUE REPORT FORM**Date of Report: 1/14/2010

|                                                                         |                                                |
|-------------------------------------------------------------------------|------------------------------------------------|
| ISSUE: <u>City of Salem</u>                                             |                                                |
| <u>Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program)</u> |                                                |
| ADDRESS: <u>229 West Main Street, Salem WV 26426</u>                    | COUNTY: <u>Harrison</u>                        |
| PURPOSE OF ISSUE:                                                       |                                                |
| New Money: <u>X</u>                                                     |                                                |
| Refunding: _____                                                        |                                                |
| ISSUE DATE: <u>1/14/2010</u>                                            | REFUNDS ISSUE(S) DATED: <u>NA</u>              |
| ISSUE AMOUNT: <u>\$900,000</u>                                          | CLOSING DATE: <u>1/14/2010</u>                 |
| 1ST DEBT SERVICE DUE: <u>9/1/2011</u>                                   | RATE: <u>0%; Administrative Fee 0%</u>         |
| 1ST DEBT SERVICE AMOUNT <u>\$7,500</u>                                  | 1ST PRINCIPAL DUE: <u>9/1/2011</u>             |
|                                                                         | PAYING AGENT: <u>Municipal Bond Commission</u> |

|                                          |                                            |
|------------------------------------------|--------------------------------------------|
| BOND COUNSEL:                            | UNDERWRITERS COUNSEL                       |
| Firm: <u>Steptoe &amp; Johnson PLLC</u>  | Firm: <u>Jackson Kelly, PLLC</u>           |
| Contact: <u>Tom Aman, Esquire</u>        | Contact: <u>Samme Gee, Esquire</u>         |
| Phone: <u>304.624.8136</u>               | Phone: <u>(304) 340-1318</u>               |
| CLOSING BANK:                            | ESCROW TRUSTEE:                            |
| Bank: <u>West Union Bank</u>             | Firm: _____                                |
| Contact: <u>Linda Jett/Jennifer Lowe</u> | Contact: _____                             |
| Phone: <u>304.873.2361</u>               | Phone: _____                               |
| KNOWLEDGEABLE ISSUER CONTACT             | OTHER:                                     |
| Contact: <u>David W. Mayle</u>           | Agency: <u>West Virginia DWTRF Program</u> |
| Position: <u>City Manager</u>            | Contact: <u>Robert DeCrease, PE</u>        |
| Phone: <u>304.782.1318</u>               | Position: <u>Manager</u>                   |
|                                          | Phone: <u>304.558.2981</u>                 |

|                          |                                |
|--------------------------|--------------------------------|
| DEPOSITS TO MBC AT CLOSE |                                |
| By: _____ Wire           | Accrued Interest: \$ _____     |
| _____ Check              | Capitalized Interest: \$ _____ |
|                          | Reserve Account: \$ _____      |
|                          | Other: \$ _____                |

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

NOTES: The Series 2010 A Bonds Reserve Account will be funded over 10 years.

\_\_\_\_\_

\_\_\_\_\_

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: \_\_\_\_\_

TRANSFERS REQUIRED: \_\_\_\_\_

\_\_\_\_\_

**WV MUNICIPAL BOND COMMISSION**

1207 Quarrier Street  
Suite 401  
Charleston, WV 25301  
(304) 558-3971

**NEW ISSUE REPORT FORM**Date of Report: 1/14/2010

|                                                                                                                                                                                                                                                       |                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>ISSUE:</b> <u>City of Salem</u><br><u>Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA)</u>                                                                                                                                    |                                                       |
| <b>ADDRESS:</b> <u>229 West Main Street, Salem WV 26426</u>                                                                                                                                                                                           | <b>COUNTY:</b> <u>Harrison</u>                        |
| <b>PURPOSE OF ISSUE:</b><br>New Money: <u>X</u><br>Refunding: _____                                                                                                                                                                                   |                                                       |
| <b>ISSUE DATE:</b> <u>1/14/2010</u>                                                                                                                                                                                                                   | <b>REFUNDS ISSUE(S) DATED:</b> <u>NA</u>              |
| <b>ISSUE AMOUNT:</b> <u>\$927,000</u>                                                                                                                                                                                                                 | <b>CLOSING DATE:</b> <u>1/14/2010</u>                 |
| <b>1ST DEBT SERVICE DUE:</b> <u>100% Forgivable</u>                                                                                                                                                                                                   | <b>RATE:</b> <u>0%; Administrative Fee 0%</u>         |
| <b>1ST DEBT SERVICE AMOUNT:</b> <u>100% Forgivable</u>                                                                                                                                                                                                | <b>1ST PRINCIPAL DUE:</b> <u>100% Forgivable</u>      |
|                                                                                                                                                                                                                                                       | <b>PAYING AGENT:</b> <u>Municipal Bond Commission</u> |
| <b>BOND COUNSEL:</b><br>Firm: <u>Septoe &amp; Johnson PLLC</u><br>Contact: <u>Tom Aman, Esquire</u><br>Phone: <u>(304) 624.8136</u>                                                                                                                   |                                                       |
| <b>UNDERWRITERS COUNSEL:</b><br>Firm: <u>Jackson Kelly, PLLC</u><br>Contact: <u>Samme Gee, Esquire</u><br>Phone: <u>(304) 340-1318</u>                                                                                                                |                                                       |
| <b>CLOSING BANK:</b><br>Bank: <u>West Union Bank</u><br>Contact: <u>Linda Jett/Jennifer Lowe</u><br>Phone: <u>304.873.2361</u>                                                                                                                        |                                                       |
| <b>ESCROW TRUSTEE:</b><br>Firm: _____<br>Contact: _____<br>Phone: _____                                                                                                                                                                               |                                                       |
| <b>KNOWLEDGEABLE ISSUER CONTACT:</b><br>Contact: <u>David W. Mayle</u><br>Position: <u>City Manager</u><br>Phone: <u>304.782.1318</u>                                                                                                                 |                                                       |
| <b>OTHER:</b><br>Agency: <u>West Virginia DWTRF Program</u><br>Contact: <u>Robert DeCrease, PE</u><br>Position: <u>Manager</u><br>Phone: <u>304.558.2981</u>                                                                                          |                                                       |
| <b>DEPOSITS TO MBC AT CLOSE</b><br>By: _____ Wire _____<br>_____ Check _____<br>Accrued Interest: _____ \$ _____<br>Capitalized Interest: _____ \$ _____<br>Reserve Account: _____ \$ _____<br>Other: _____ \$ _____                                  |                                                       |
| <b>REFUNDS &amp; TRANSFERS BY MBC AT CLOSE</b><br>By: _____ Wire _____<br>_____ Check _____<br>_____ IGT _____<br>To Escrow Trustee: _____ \$ _____<br>To Issuer: _____ \$ _____<br>To Cons. Invest. Fund: _____ \$ _____<br>To Other: _____ \$ _____ |                                                       |
| <b>NOTES:</b> <u>The principal amount of the Series 2010 B Bonds is 100% forgivable. The Series 2010 B Bonds Reserve Account will not be funded.</u><br>_____<br>_____                                                                                |                                                       |
| <b>FOR MUNICIPAL BOND COMMISSION USE ONLY:</b><br>DOCUMENTS REQUIRED: _____<br>TRANSFERS REQUIRED: _____<br>_____                                                                                                                                     |                                                       |

**25B**

CITY OF SALEM

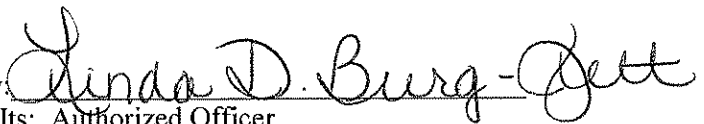
Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

WEST UNION BANK, West Union, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Ordinance of the City of Salem (the "Issuer") enacted October 13, 2009, and the Supplemental Resolution of the Issuer adopted December 17, 2009 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program), dated January 14, 2010, issued in the principal amount of \$900,000 and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), dated January 14, 2010, issued in the principal amount of \$927,000 (collectively the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 14th day of January, 2010.

WEST UNION BANK

By:   
Its: Authorized Officer

788170.00002

CITY OF SALEM

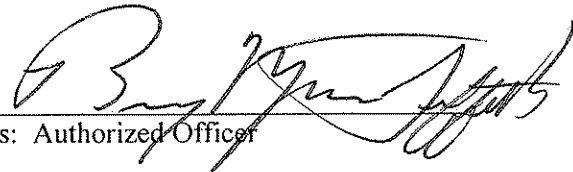
Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

ACCEPTANCE OF DUTIES AS REGISTRAR

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the City of Salem Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program), dated January 14, 2010, issued in the principal amount of \$900,000 and Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), dated January 14, 2010, issued in the principal amount of \$927,000 (collectively, the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 14th day of January, 2010.

THE HUNTINGTON NATIONAL BANK

By:   
Its: Authorized Officer

788170.00002

CITY OF SALEM

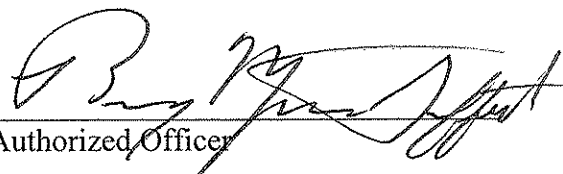
Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of the City of Salem (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program), of the Issuer, dated January 14, 2010, in the principal amount of \$900,000, numbered AR-1, and the single, fully registered Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), of the Issuer, dated January 14, 2010 in the principal amount of \$927,000, numbered BR-1, were registered as to principal and interest, if any, in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 14th day of January, 2010.

THE HUNTINGTON NATIONAL BANK

By:   
Its: Authorized Officer

788170.00002

5207978

CITY OF SALEM

Water Revenue Bonds, Series 2010 A  
(West Virginia DWTRF Program); and  
Water Revenue Bonds, Series 2010 B  
(West Virginia DWTRF Program/ARRA)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 14th day of January, 2009, by and between the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$900,000 Water Revenue Bonds, Series 2010 A (West Virginia DWTRF Program) and \$927,000 Water Revenue Bonds, Series 2010 B (West Virginia DWTRF Program/ARRA), in fully registered form (collectively, the "Bonds"), pursuant to the Bond Ordinance of the Issuer duly enacted October 13, 2009, and the Supplemental Resolution of the Issuer duly adopted December 17, 2009 (collectively, the "Bond Legislation");

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 Bond Legislation, a copy of which is attached as EXHIBIT A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation 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 Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the

intention of maintaining the exclusion of interest, if any, on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the 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 the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation 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 Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

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

ISSUER: City of Salem  
229 West Main Street  
Salem, WV 26427  
Attention: City Manager

REGISTRAR: The Huntington National Bank  
One Huntington Square  
Charleston, West Virginia 25301  
Attention: Corporate Trust Department

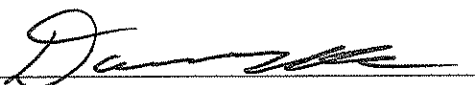
8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

9. This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Blank]

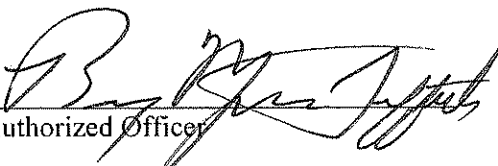
IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

CITY OF SALEM

By:   
Its: City Manager

By:   
Its: Mayor

THE HUNTINGTON NATIONAL BANK

By:   
Its: Authorized Officer

## EXHIBIT A

Bond Legislation included in bond transcript as Documents Nos. 1 and 2.

## **SWEEP RESOLUTION**

### **City of Salem**

**WHEREAS**, the City of Salem (the "Issuer") is a governmental body and political subdivision of the State of West Virginia;

**WHEREAS**, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

**WHEREAS**, the Issuer makes or will make monthly debt service payments on and transfer reserve funds for certain of such Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

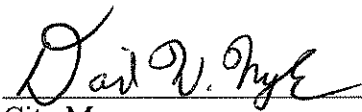
**WHEREAS**, the MBC may accept such monthly payments by electronic funds transfer, thereby eliminating delay in payments and lost checks;

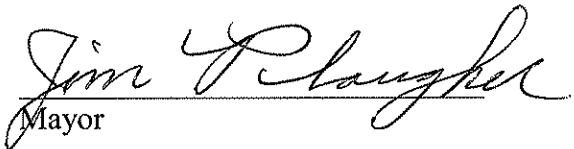
**WHEREAS**, the Issuer finds and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic funds transfer with the State Treasurer sweeping the Issuer's account.

### **NOW THEREFORE BE IT RESOLVED AS FOLLOWS:**

- 1) The monthly debt service payments on and reserve funds for the Bonds, as set forth in Exhibit A, shall be made to the MBC by an electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.
- 2) The City Manager, Mayor and City Clerk are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.
- 3) This resolution shall be effective immediately upon adoption.

Adopted this 17<sup>th</sup> day of December, 2009.

  
\_\_\_\_\_  
City Manager

  
\_\_\_\_\_  
Mayor