

**SALT ROCK WATER PUBLIC SERVICE DISTRICT  
WATER GRANT ANTICIPATION NOTES, SERIES 2018 A  
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)**

**NOTE RESOLUTION**

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## **SALT ROCK WATER PUBLIC SERVICE DISTRICT**

### **NOTE RESOLUTION**

RESOLUTION AUTHORIZING THE DESIGN AND OTHER PRE-CONSTRUCTION ACTIVITIES OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC WATERWORKS FACILITIES OF SALT ROCK WATER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY SALT ROCK WATER PUBLIC SERVICE DISTRICT OF NOT MORE THAN \$164,414 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER GRANT ANTICIPATION NOTES, SERIES 2018 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SALT ROCK WATER PUBLIC SERVICE DISTRICT:

### **ARTICLE I**

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

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Note Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13A and Chapter 22C, Article 1 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. Salt Rock Water Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Cabell County of said State.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments, improvements and extensions to the existing public waterworks facilities of the Issuer, consisting of water extension in the Route 2 to Frontage Road, Upper Tom's Creek, Big Cabell Creek, Lower Heath Creek, Raccoon Creek and Cavill Creek areas including necessary appurtenances (the "Project"; and the design and other pre-construction activities provided by Triad Engineering, Inc. ("Triad") shall be defined herein as the "Design Project"). The existing public waterworks facilities of the Issuer and any further additions, betterments, improvements or extensions thereto, are herein called the "System." The Design Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is deemed necessary for the Issuer to issue its Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority) in the aggregate principal amount of not more than \$164,414 as a single note (the "Series 2018 A Notes"), to temporarily finance a the costs of the Design Project in the manner hereinafter provided and paying certain costs of issuance. The cost of such Design Project shall be deemed to include, without being limited to, the cost of capitalized interest on the Series 2018 A Notes; engineering, design expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project provided by Triad Engineering, Inc., fiscal agents and legal expenses; administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized. The Series 2018 A Notes are being issued in anticipation of receipt by the Issuer of a \$339,384 contribution to the Project from the West Virginia American Water Company (the "WVAWC Contribution").

D. The Issuer anticipates that the design will be completed and the Project ready to go to construction by August 15, 2019.

E. It is in the best interests of the Issuer that its Series 2018 A Notes be sold to the West Virginia Water Development Authority (the "Authority") pursuant to the terms and provisions of a Loan Agreement by and between the Issuer and the Authority, as hereinafter defined, in form satisfactory to the respective parties, to be approved hereby if not previously approved by resolution of the Issuer.

F. There are outstanding obligations of the Issuer which are secured by the Net Revenues of the System being the Issuer's:

(i) Water Revenue Bonds, Series 2000 A (West Virginia Water Development Authority), dated September 21, 2000, issued in the original aggregate principal amount of \$9,300,000 (the "Series 2000 A Bonds");

(ii) Water Revenue Bonds, Series 2000 B (West Virginia Infrastructure Fund), dated September 21, 2000, issued in the original aggregate principal amount of \$3,000,000 (the "Series 2000 B Bonds"); and

(iii) Water Revenue Bonds, Series 2008 A West Virginia Infrastructure Fund), dated December 19, 2008, issued in the original aggregate principal amount of \$296,800 (the "Series 2008 A Bonds), (collectively, the "Prior Bonds").

The Series 2018 A Notes will have no lien on the Net Revenues or Gross Revenues. The payment of the debt service on the Series 2018 A Note shall be secured by a first lien on the WVAWC Contribution and all grant proceeds received by the Issuer subsequent to the issuance of the Series 2018 A Note to permanently finance the costs of the Design Project.

G. The Issuer has complied with all requirements of West Virginia law, the Loan Agreement (hereinafter defined) relating to authorization of the Design Project and the System and issuance of the Series 2018 A Notes, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing recommendation thereof by the West Virginia Infrastructure & Jobs Development Council.

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

Section 1.03. Note Legislation Constitutes Contract. In consideration of the acceptance of the Series 2018 A Notes by the Owners of the same from time to time, this Note Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Noteholders, 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 Noteholders of any and all of such Series 2018 A Notes, all which shall be of equal rank and without preference, priority or distinction between any one Note and any other Notes 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 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Owner of the Series 2018 A Notes, or any other agency, board or department of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly selected by the Governing Body.

"Bondholder," "Noteholder," "Holder of the Bonds," "Holder," "Owner" or any similar term whenever used herein with respect to an Outstanding Bond, Note, Notes or Bonds, means the person in whose name such Bond or Note is registered.

"Chairman" means the Chairman of the Governing Body of the Issuer.

“Closing Date” means the date upon which there is an exchange of the Series 2018 A Notes for all or a portion of the proceeds of the Series 2018 A Notes 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 The Thrasher Group, Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, 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 1.02C hereof to be a part of the costs of the Design 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.

“Design Project” means the Design Project as described in Section 1.02B hereof.

“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” or “Board” means the public service board of the Issuer, as it may now or hereafter be constituted.

“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.

“Grant” means any grants committed to the Project.

“Gross Revenues” means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that “Gross Revenues” does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

“Herein,” “hereto” and similar words shall refer to this entire Note 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 Salt Rock Water Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Cabell County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

“Loan Agreement” means the Loan Agreement heretofore entered, or to be entered into, by and between the Issuer and the Authority providing for the purchase of the Series 2018 A Notes, the form of which shall be approved and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

“Net Proceeds” means the face amount of the Series 2018 A Notes, plus accrued interest and premium, if any, less original issue discount, if any.

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

“Notes” means, collectively, the Series 2018 A Notes and, where appropriate, any notes on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

“Note Legislation,” “Resolution,” “Note Resolution” or “Local Act” means this Note Resolution and all resolutions, orders and resolutions supplemental hereto or amendatory hereof.

“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, fees and expenses of the Authority, fiscal agents, the Depository Bank, and Paying Agent), 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, if any, on the Notes, charges for depreciation, losses from the sale or other disposition of or 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 or Notes and as of any particular date, describes all Bonds or Notes theretofore and thereupon being authenticated and delivered except (i) any Bond or Note cancelled by its Registrar, at or prior to said date; (ii) any Bond or Note 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 Note

deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Holders, any Bond or Note registered to the Issuer.

“Parity Notes” means additional Parity Notes 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.

“Prior Bonds” means the Series 2000 A Bonds, Series 2000 B Bonds and Series 2008 A Bonds.

“Prior Resolutions” means the resolutions authorizing the Prior Bonds.

“Project” means the Project as described in Section 1.02B hereof.

“Qualified Investments” means and includes any investment permitted to be made by a municipality, public service district or public corporation of the State pursuant to State Law, specifically including but not limited to Chapter 8, Article 13, Section 22 of the Code of West Virginia and the West Virginia “consolidated fund” managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia.

“Owner,” “Noteholder,” “Holder” or any similar term means whenever used herein with respect to an Outstanding Note or Notes, the person in whose name such Note is registered.

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

“Reserve Accounts” means, collectively, the respective reserve accounts for the Prior Bonds.

“Renewal and Replacement Fund” means the Renewal and Replacement Fund established by Prior Resolutions and continued hereby.

“Revenue Fund” means the Revenue Fund established by Prior Resolutions and continued hereby.

“Secretary” means the Secretary of the Governing Body of the Issuer.

“Series 2000 A Bonds” means the Issuer's Water Revenue Bonds, Series 2000 A (West Virginia Water Development Authority), dated September 21, 2000, issued in the original aggregate principal amount of \$9,300,000.

“Series 2000 B Bonds” means the Issuer's Water Revenue Bonds, Series 2000 B (West Virginia Infrastructure Fund), dated September 21, 2000, issued in the original aggregate principal amount of \$3,000,000.

“Series 2008 A Bonds” means the Issuer’s Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated December 19, 2008, issued in the original aggregate principal amount of \$296,800.

“Series 2018 A Notes” means the Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority) authorized by this Resolution.

“Series 2018 A Notes Fund” means the Series 2018 A Notes Fund established by Section 5.02 hereof.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article “the,” refers specifically to the supplemental resolution authorizing the sale of the Series 2018 A Notes; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2018 A Notes, 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 Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund.

“System” means the complete public waterworks system of the Issuer presently existing in its entirety or any integral part thereof, and shall include the Project, to be constructed as a result of the issuance of the Series 2018 A Notes, and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

“Triad” means Triad Engineering, Inc., Scott Depot, West Virginia whose services pursuant to an engineering agreement dated February 14, 2012 between the Issuer and Triad were terminated.

“West Virginia Infrastructure Fund” means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

“WVAWC Contribution” means \$339,384 expected to be received by the Issuer from the West Virginia American Water Company to finance a portion of the Project.

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; and any requirement for execution or attestation of the Notes or any certificate or other document by the Chairman or the Secretary shall mean that such Notes, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

## **ARTICLE II**

### **AUTHORIZATION OF THE DESIGN PROJECT**

Section 2.01. Authorization of the Design Project. There is hereby authorized and ordered the Design Project at an estimated cost of not to exceed \$164,414, which will be paid from proceeds of the Series 2018 A Notes. The proceeds of the Series 2018 A Notes hereby authorized shall be applied as provided in Article VI hereof. Upon closing of the Series 2018 A Notes, the Issuer shall pay Triad to satisfy its obligations pursuant to a contract between Triad and the Issuer dated February 14, 2012, capitalize interest on the Series 2018 A Notes and pay costs of issuance in accordance with the financing plan submitted to the Authority.

The estimated maximum cost of the Design Project is \$164,414 which will be obtained from the proceeds of sale of the Series 2018 A Notes.

## **ARTICLE III**

### **AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF NOTES; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT**

Section 3.01. Authorization of Notes. For the purposes of paying Costs of the Project not otherwise provided for and paying certain costs of issuance 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 2018 A Notes of the Issuer. The Series 2018 A Notes shall be issued as a single note, designated as "Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority)", in the principal amount of not more than \$164,414, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2018 A Notes remaining after funding capitalization of interest shall be deposited in or credited to the Series 2018 A Notes Project Account.

Section 3.02. Terms of Notes. The Series 2018 A Notes shall be issued in such principal amount; shall bear interest at such rate or rates, not exceeding the then legal maximum, payable 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 Loan Agreement. The Series 2018 A Notes 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 2018 A Notes shall be wired by the Paying

Agent or its agent, or by such other method as shall be mutually agreeable so long as the Authority is the Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2018 A Notes shall initially be issued in the form of a single note, to the Authority, with a record of advances, representing the aggregate principal amount of the Series 2018 A Notes, and shall mature as provided in the Supplemental Resolution. The Series 2018 A Notes shall be exchangeable at the option and expense of the Owner for another Note or Notes of the same series in aggregate principal amount equal to the amount of said Notes then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Notes; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Notes. The Series 2018 A Notes shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2018 A Notes shall cease to be such officer of the Issuer before the Series 2018 A Notes so signed and sealed have been actually sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any Series 2018 A Notes may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Notes shall hold the proper office in the Issuer, although at the date of such Notes such person may not have held such office or may not have been so authorized.

Section 3.04. Reserved.

Section 3.05. Negotiability and Transfer. The Series 2018 A Notes 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 2018 A Notes shall be conclusively deemed to have agreed that such Notes 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 Notes shall be incontestable in the hands of a bona fide Holder for value.

Section 3.06. Notes Mutilated, Destroyed, Stolen or Lost. In case any Series 2018 A Notes shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue a new Note of the same series and of like tenor as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note upon surrender and cancellation of such mutilated Note, or in lieu of and substitution for the Note 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 may incur. If any such Note shall have matured or be about to mature, instead of

issuing a substitute Note, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Notes not to be Indebtedness of the Issuer. The Series 2018 A Notes 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 proceeds of a grant or grants made available to the Issuer subsequent to the issuance of the Notes. No Holder or Holders of the Series 2018 A Notes shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 A Notes or the interest, if any, thereon.

Section 3.08. Notes Secured by Pledge of Grant Proceeds; Lien Position with Respect to Net or Gross Revenues of the System. The payment of the Series 2018 A Notes shall be secured by a first lien on all the WVAWC Contribution and grant proceeds received by the Issuer subsequent to the issuance of the Notes to permanently finance a portion of the Costs of the Project. The Series 2018 A Notes have no lien on Net Revenues or Gross Revenues of the System.

Section 3.09. Delivery of Notes. The Issuer shall execute and deliver the Series 2018 A Notes to the Authority.

Section 3.10. Form of Notes. The text of the Series 2018 A Notes 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:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2018 A NOTES)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
SALT ROCK WATER PUBLIC SERVICE DISTRICT  
WATER GRANT ANTICIPATION NOTES, SERIES 2018 A  
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1

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

KNOW ALL MEN BY THESE PRESENTS: That on this the \_\_\_\_\_ day of \_\_\_\_\_, 2018, SALT ROCK WATER PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Cabell 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 \$ \_\_\_\_\_) on the maturity date of \_\_\_\_\_, 20\_\_\_\_.

Interest only shall commence on the date hereof on the amount advanced and outstanding, payable in semi-annual installments on February 15 and August 15 of each year in arrears at the rate of \_\_\_\_\_% per annum, with the first payment due on \_\_\_\_\_, 20\_\_\_\_. The interest on this Note is payable by wire, check or draft of the Paying Agent mailed to the Authority or by such other method as shall be mutually agreeable so long as the Authority is the owner hereof.

This Note 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 upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated \_\_\_\_\_, 2018.

This Note is issued (i) to temporarily pay the costs of design and other pre-construction activities performed by Triad Engineering, Inc. (the "Design Project"); (ii) to pay capitalize interest on the Notes until maturity; and (ii) to pay certain costs of issuance and related costs. The existing public waterworks facilities of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Note Resolution duly adopted by the Issuer on \_\_\_\_\_, 2018, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2018 (collectively, the "Note Legislation"), and is subject to all the terms and conditions thereof. The Note Legislation provides for the issuance of additional notes under certain conditions, and such notes would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Notes under the Note Legislation.

THIS NOTE HAS NO LIEN ON THE GROSS OR NET REVENUES OF THE SYSTEM. THE PAYMENT OF THE DEBT SERVICE ON THE SERIES 2018 A NOTE

SHALL BE SECURED BY A FIRST LIEN ON THE WVAWC CONTRIBUTION AND ALL GRANT PROCEEDS RECEIVED BY THE ISSUER SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2018 A NOTE TO PERMANENTLY FINANCE A PORTION OF THE COSTS OF THE PROJECT.

This Note and the interest thereon are payable only from and secured by a first lien on the proceeds of the WVAWC contribution and grant or grants made available to the Issuer subsequent to the issuance of the Notes to permanently finance the Costs of the Project. This Note 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, except as set forth in the Note Resolution.

This Note, 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 Note shall be applied solely to payment of the Costs of the Project and costs of issuance described in the Note Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the Owner of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, 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.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SALT ROCK WATER PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated the day and year first written above.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST

\_\_\_\_\_  
Secretary

(Form of)

ASSIGNMENT

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

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

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

Section 3.11. Sale of Notes; Approval and Ratification of Execution of Loan Agreement. The Series 2018 A Notes shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver them to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Filing of Amended Schedule. Upon completion of the Design Project, the Issuer will file with the Authority a schedule for the Series 2018 A Notes, the form of which will be provided by the Authority, 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) Series 2018 A Notes Project Account.

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 2018 A Notes Fund.

Section 5.03. System Revenues. A. The Note has no lien on the Gross Revenues or Net Revenues of the system. The payment of the Series 2018 A Note shall be secured by a first lien on the WVAWC Contribution and all grant proceeds received by the Issuer subsequent to the issuance of the Series 2018 A Note to permanently finance a portion of the costs of the Project. The Issuer shall remit to the Commission the principal and interest only upon receipt of the WVAWC Contribution or a grant or grants made available to the Issuer subsequent to the issuance of the Notes to permanently finance the Costs of the Project.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2018 A Notes Fund created hereunder.

B. The monies in excess of 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 Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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

## **ARTICLE VI**

### **APPLICATION OF NOTES PROCEEDS**

Section 6.01. Application of Notes Proceeds; Pledge of Unexpended Notes Proceeds. From the monies received from the sale of the Series 2018 A Notes, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2018 A Notes there shall first be deposited with the Commission in the Series 2018 A Notes Fund, the amount set forth in the Supplemental Resolution as capitalized interest.

Section 6.02. Disbursements of Notes Proceeds. The Issuer shall provide the Authority with a requisition for the Costs incurred for the Project, together with such documentation as the Authority shall require.

## **ARTICLE VII**

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

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Note 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 2018 A Notes. In addition to the other covenants, agreements and provisions of this Note Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2018 A Notes 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 2018 A Notes or the interest thereon is Outstanding and unpaid.

Section 7.02. Notes not to be Indebtedness of the Issuer. The Series 2018 A Notes 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 Note Legislation. No Holder or Holders of the Series 2018 A Notes shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 A Notes or the interest thereon.

Section 7.03. Notes Secured by Pledge of Future Grant Proceeds. The payment on the Series 2018 A Notes shall be secured by a first lien on the Issuer's receipt of the WVAWC

Contribution and future grant or grants used to permanently finance a portion of the Costs of the Project.

Section 7.04. 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 supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall supply a certificate of Certified Public Accountant to such effect. The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered on December 2, 2016 in Case No. 16-0550-W-DSIC approving the rates and charges for the services of the System. The time for appeal of such Order has expired prior to the date hereof without any appeal. The Issuer hereby adopts such rates and charges.

So long as the Series 2018 A Notes 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 Note Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2018 A Notes shall prove to be insufficient to produce the required sums set forth in this Note Legislation and the Loan 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 Note Legislation and the Loan Agreement.

Section 7.05 Sale of the System. So long as the Series 2018 A Notes, and the Prior Bonds are Outstanding and except as otherwise required by law or with the written consent of the Authority and the Holders of the Prior Bonds, 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 Notes Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2018 A Notes Fund, or in the event the Authority is no longer a Holder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2018 A Notes in accordance with Article X hereof. Any balance remaining after the payment of the Series 2018 A Notes and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, 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 by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of this Note 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, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Notes or Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Notes or Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Notes or 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 future grants received by the Issuer which rank prior to, or equally, as to lien on and source of and security for payment with the Series 2018 A Notes. All obligations issued by the Issuer after the issuance of the Series 2018 A Notes and payable from future grants, except such additional Parity Notes, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment and in all other respects, to the Series 2018 A Notes; 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 2018 A Notes, and the interest thereon, upon any of the future grants or from any grants for the Project pledged for payment of the Series 2018 A Notes and the interest thereon in this Note Legislation, or upon the System or any part thereof.

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

Section 7.07. Additional Parity Notes. No additional Parity Notes, payable out of the future grants, shall be issued after the issuance of the Series 2018 A Notes pursuant to this Resolution, without the prior written consent of the Authority.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the Cost of the Project. The Issuer shall permit the Authority, or its agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority such documents and information as they may reasonably require in connection with 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, or its agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of the Design 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 Note or Notes issued pursuant to this Note 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 and the Act. 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 Governing Body shall direct.

The Issuer shall file with the Authority, or any other original purchaser of the Series 2018 A Notes and shall mail in each year to any Holder or Holders of the Series 2018 A Notes, 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 Note 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 2CFR 200 Subpart F, 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 2018 A Notes and shall submit the report to the Authority, or any other original purchaser of the Series 2018 A Notes. Such audit report submitted to the Authority shall include a statement that notes whether the results of test 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 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 Loan 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 the Project 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.

Prior to, during and after completion of Design Project, the Issuer shall also provide the Authority, or its 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 with respect to the System pursuant to the Act.

Section 7.09 Rates. Prior to the issuance of the Series 2018 A Notes, 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 Secretary of the Issuer, which copy will be open to inspection by all interested parties. 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 to produce the required sums to pay Operating Expenses and to make the prescribed payments into all funds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

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 within 30 days of adoption thereof.

Section 7.11 Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies.

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

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

Section 7.14. 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 2018 A Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry

and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for 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 Loan Agreement, during any construction 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) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION 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 any construction to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price 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 any construction to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided, that the amounts and terms of such coverage are satisfactory to the Authority. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

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 Design Project; Permits and Orders. The Issuer will complete the Design Project 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 Design Project, all orders and approvals required by State law for the Design Project, the operation of the System and issuance of the Series 2018 A Notes, and the Issuer shall supply an opinion of counsel to such effect.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, or other state, federal or local bodies in regard to the Design Project and the operation, maintenance and use of the System.

The Issuer shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia in the manner prescribed by and the guidelines established by the Authority and the PSC.

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. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2018 A Notes, 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 2018 A Notes and shall be junior and subordinate to the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.22. Contracts; Public Releases. A. Upon payment to Triad the obligation of the Issuer to Triad shall be released and Triad will provide the Issuer with work completed by Triad.

B. The Issuer shall list the funding provided by 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.

## **ARTICLE VIII**

### **INVESTMENT OF FUNDS; USE OF PROCEEDS**

Section 8.01. Investments. Any monies held as a part of the funds and accounts created by this Resolution, 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 Resolution, 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 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 may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, 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 2018 A Notes are Outstanding and as long thereafter as necessary to comply with the Code and to assure the

exclusion of interest, if any, on the Series 2018 A Notes from gross income for federal income tax purposes.

Section 8.02. Certificate and 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 2018 A Notes as a condition to issuance of the Series 2018 A Notes. 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 2018 A Notes as may be necessary in order to maintain the status of the Series 2018 A Notes as governmental notes; (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 2018 A Notes which would cause any notes, the interest, if any, on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority, from which the proceeds of the Series 2018 A Notes are derived, to lose their status as tax-exempt notes; 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, 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 Note Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2018 A Notes 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 2018 A Notes:

- (1) If default occurs in the due and punctual payment of the principal of or interest on the Series 2018 A Notes; or
- (2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on their respective parts relating to the Series 2018 A Notes set forth in this Note Legislation, any supplemental resolution or in the Series 2018 A Notes, 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 Paying Agent or any other Paying Agent or a Holder of a Note; 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; or
- (4) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Owner or Holder of a Note 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 Owners or Holders of the Notes including the right to require the Issuer to perform its duties under the Act and the Note 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 Notes; (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 Owners or Holders of the Notes, and (v) by action or bill in equity enjoin any acts in violation of the Note Legislation with respect to the Notes, or the rights of such Owners.

Section 9.03. Appointment of Receiver. Any Owner of a Note may, by proper legal action, compel the performance of the duties of the Issuer under the Note Legislation and the Act, including, the completion of the Project, the 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 Notes, any Owner of a Note 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 Design 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 Notes 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 Note 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 Notes and interest thereon and under any covenants of this Note 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 Note 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 Owner of any Notes 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 Owners of the Notes. 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 and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Owners of such Notes and the curing and making good of any Event of Default with respect thereto under the provisions of this Note 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 NOTES**

Section 10.01. Payment of Series 2018 A Notes. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2018 A Notes, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein and in this Note Legislation, then the pledge of grant proceeds pledged under this Note Legislation and all covenants, agreements and other obligations of the Issuer to the Owners of the Series 2018 A Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

## **ARTICLE XI**

### **MISCELLANEOUS**

Section 11.01. Amendment or Modification of Note Legislation. Prior to issuance of the Series 2018 A Notes, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2018 A Notes, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Owners of the Series 2018 A Notes shall be made without the consent in writing of the Owners of the Series 2018 A Notes so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2018 A Notes 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 Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2018 A Notes required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Note Legislation may be amended without the consent of any Noteholder 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, if any, on the Series 2018 A Notes from gross income of the Holders thereof.

Section 11.02. Note Legislation Constitutes Contract. The provisions of the Note Legislation shall constitute a contract between the Issuer and the Owners of the Notes, and no

change, variation or alteration of any kind of the provisions of the Note Legislation shall be made in any manner, except as in this Note Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution 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 Resolution, the Supplemental Resolution or the Series 2018 A Notes.

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, or the Authority 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:

Salt Rock Water Public Service District  
4002 Ohio River Road  
Huntington, West Virginia 25702  
Attention: Chairman

AUTHORITY:

Water Development Authority  
1009 Bullitt Street  
Charleston, West Virginia 25301  
Attention: Executive Director

Section 11.06. Conflicting Provisions Repealed; Prior Resolutions. All orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided, that in the event of any conflict between this Note Legislation and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

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 Resolution 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 Chairman, the Secretary and members of the Governing Body and the Issuer were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

adoption. Section 11.08, Effective Date. This Resolution shall take effect immediately upon

Adopted this 16th day of March, 2018.

SALT ROCK WATER PUBLIC SERVICE DISTRICT

  
Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of  
SALT ROCK WATER PUBLIC SERVICE DISTRICT on the 16th day of March, 2018.

Dated: March 21, 2018.

[SEAL]

  
Secretary

Salt Rock Water Public Service District  
Water Grant Anticipation Notes, Series 2018 A  
(West Virginia Water Development Authority)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER GRANT ANTICIPATION NOTES, SERIES 2018 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF SALT ROCK WATER PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH NOTE AND THE SALE AND DELIVERY OF SUCH NOTE TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE NOTE.

Whereas, the Public Service Board (the "Governing Body") of Salt Rock Water Public Service District (the "Issuer") has duly and officially adopted a note resolution, effective March 16, 2018 (the "Note Resolution"), entitled:

RESOLUTION AUTHORIZING THE DESIGN AND OTHER PRE-CONSTRUCTION ACTIVITIES OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE PUBLIC WATERWORKS FACILITIES OF SALT ROCK WATER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY SALT ROCK WATER PUBLIC SERVICE DISTRICT OF NOT MORE THAN \$164,414 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER GRANT ANTICIPATION NOTES, SERIES 2018 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES 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 Note Resolution when used herein;

WHEREAS, the Note Resolution provides for the issuance of Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority), of the Issuer (the "Series 2018 A Notes"), in the aggregate principal amount not to exceed \$164,414, and has

authorized the execution and delivery of a Loan Agreement relating to the Series 2018 A Notes, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Note Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Series 2018 A Notes should be established by a supplemental resolution pertaining to the Series 2018 A Notes; and that other matters relating to the Series 2018 A Notes be herein provided for;

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

WHEREAS, the Series 2018 A Notes is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates and the sale price of the Series 2018 A Notes be fixed hereby in the manner stated herein, and that other matters relating to the Series 2018 A Notes be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF SALT ROCK WATER PUBLIC SERVICE DISTRICT, AS FOLLOWS:

Section 1. Pursuant to the Note Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority), of the Issuer, originally represented by a single note, numbered AR-1, in the principal payable in semi-annual installments on February 15 and August 15 of each with the first payment due on August 15, 2018. The interest on this Note is payable by wire, check or draft of the Paying Agent mailed to the Authority or by such other method as shall be mutually agreeable so long as the Authority is the owner hereof. The Series 2018 A Note shall finally mature August 15, 2019.

The entire principal amount is payable solely from WVAWC Contribution and grant proceeds received by the Issuer to permanently finance a portion of the Project. The Series 2018 A Notes shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Owner of the Series 2018 A Notes.

Section 2. The Issuer expects to receive a contribution from the West Virginia American Water Company ("WVAWC") in the amount of \$339,384 which will repay the Series 2018 A Notes.

Section 3. All other provisions relating to the Series 2018 A Notes and the text of the Series 2018 A Notes shall be in substantially the form provided in the Note Resolution.

Section 4. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, 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 Loan Agreement and in the application to the Authority. The price of the Series 2018 A Notes shall be 100% of par value, there being no interest accrued thereon.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2018 A Notes under the Note Resolution.

Section 6. Series 2018 A Note proceeds in the amount of \$3,914 shall be deposited in the Series 2018 A Bonds Sinking Fund, as capitalized interest.

Section 7. The Issuer does hereby appoint and designate the First State Bank, Barboursville, West Virginia, to serve as Depository Bank under the Note Resolution.

Section 8. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 2018 A Notes hereby and by the Note Resolution approved and provided for, to the end that the Series 2018 A Notes may be delivered on or about March 21, 2018, to the Authority pursuant to the Loan Agreement.

Section 9. The Design Project and the financing thereof in part with proceeds of the Series 2018 A Notes 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 10. The Issuer does hereby ratify, approve and accept all contracts relating to the financing the Design Project.

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Section 11. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 16th day of March, 2018.

SALT ROCK WATER PUBLIC SERVICE DISTRICT

  
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of SALT ROCK WATER PUBLIC SERVICE DISTRICT on the 16th day of March, 2018.

Dated: March 21, 2018.

[SEAL]

  
Secretary

LOAN AGREEMENT

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

SALT ROCK PUBLIC SERVICE DISTRICT (2017W-1714)  
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 22C, Article 1 of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the design, acquisition or construction of water development projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State of West Virginia (the "State") to design, acquire, construct, improve, operate and maintain a water development project, as defined by the Act, and to temporarily finance the cost of all or a portion of the acquisition and construction of the same by borrowing money to be evidenced by notes issued by the Governmental Agency;

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

WHEREAS the Project, and its proposed financing, has been reviewed and approved by the West Virginia Infrastructure and Jobs Development Council (the "Council");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan to temporarily finance all or a portion of the cost of the Project pending receipt of certain grant funds (the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of notes of the Governmental Agency with money in the Supplemental Fund of the Authority, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

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

#### ARTICLE I Definitions

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

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

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

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

1.5 "Local Notes" means the notes to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.6 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Notes 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 "Project" means the water development project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Notes or the preliminary costs associated with such Project that will be financed with the net proceeds of the Local Notes.

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

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

## ARTICLE II The Project and the System

2.1 The Project shall generally consist of the design, construction and/or acquisition of the facilities described in the Application in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the Act.

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

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

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents and representatives shall, prior to, 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 with respect to the System pursuant to the pertinent provisions of the Act.

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

System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

2.7 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

2.8 The Governmental Agency shall serve the additional customers at the location(s) as set forth in Schedule X. The Governmental Agency shall not reduce the amount of additional customers served by the project without the prior written approval of the Water Development Authority Board. Following completion of the Project the Governmental Agency shall certify to the Authority the number of customers added to the System.

2.9 The Governmental Agency shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia.

ARTICLE III  
Conditions to Loan;  
Issuance of Local Notes

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

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

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

(c) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency;

(d) If required by law, the Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the

“PSC”) and the West Virginia Infrastructure and Jobs Development Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

(f) The Governmental Agency shall have applied for grant funding or received a commitment of grant funds in an amount equal to the Local Notes; and

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

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

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

#### ARTICLE IV

##### Local Notes; Security for Loan; Interest on Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Notes pursuant to an official action of the Governmental Agency in accordance with the Local Statute.

(a) The Local Act shall contain covenants substantially as follows:

(i) That the Local Notes shall be secured by a pledge of grant funds to be received by the Governmental Agency, as more fully set forth in the Local Act;

(ii) That capitalized interest, if any, shall be deposited with the West Virginia Municipal Bond Commission (the "Commission") and applied to the payment of interest, if any, on the Local Notes;

(iii) That the Governmental Agency shall complete the Project, shall operate and maintain the System in good condition and, to the extent applicable, in compliance with, among other state and federal standards, the water quality standards established by the West Virginia Bureau for Public Health (the "BPH"), the West Virginia Department of Environmental Protection (the "DEP") and the United States Environmental Protection Agency (the "EPA"), shall permit the BPH, the DEP and EPA to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof, and shall, as a condition precedent to the Authority's making the Loan, have obtained, among other permits required, permits from the BPH, the DEP and the EPA, if required;

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

(v) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

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

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

(viii) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that 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 Governmental Agency's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(ix) That the Governmental Agency 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 within 30 days of adoption thereof;

(x) 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;

(xi) That, as long as the Authority is the owner of any of the Local Notes, the Governmental Agency may redeem or authorize redemption of any Local Notes with ten days written notice to the Authority;

(xii) That the Governmental Agency shall provide the Authority with annual financial information and such other information as is necessary for the Authority to meet its ongoing disclosure requirements;

(xiii) That the Commission shall serve as paying agent for the Local Notes;

(xiv) That the Governmental Agency shall list the funding provided by 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 groundbreaking or dedication of the Project;

The Governmental Agency 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 Notes shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The interest payments on the Loan shall be made by the Commission as provided in said Schedule X.

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

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

ARTICLE V  
Miscellaneous

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

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

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

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

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

5.6 This Loan 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.

5.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Notes to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

5.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Authority if the Governmental Agency has failed to deliver the Local Notes to the Authority; or

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

[Remainder of page intentionally left blank]

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

SALT ROCK PUBLIC SERVICE DISTRICT

(SEAL)

By: Robert L Burns  
Its: Chairman  
Date: March 21, 2018

Attest:

Roger A. Sanson  
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By: Wm d R  
Its: Executive Director  
Date: March 21, 2018

Attest:

Sheila A. Miller  
Its: Authorized Officer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEERS

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

\_\_\_\_\_  
(Name of Notes)

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 notes (the "Notes") of the Issuer.  
Capitalized words not defined herein shall have the same meanings set forth in the  
\_\_\_\_\_ adopted or enacted by the Issuer on \_\_\_\_\_, and the Loan  
Agreement by and between the Issuer and the West Virginia Water Development Authority (the  
"Authority"), dated \_\_\_\_\_.

2. The Notes are being issued for the purposes of (i)  
\_\_\_\_\_, [capitalizing interest on the Notes] 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 DEP and any change orders  
approved by the Issuer, the DEP 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 attached  
hereto as Exhibit A, and my firm<sup>1</sup> has ascertained that 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 DEP and the bid forms provided to the bidders contain all

<sup>1</sup>If another responsible party, such as the Issuer's attorney, reviews the insurance and  
payment bonds, then insert the following: [and in reliance upon the opinion of \_\_\_\_\_,  
Esq.] and delete "my firm has ascertained that".

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 Loan 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 the DEP; (xi) the Project was designed and will be constructed in compliance with the provisions of West Virginia Code Chapter 22, Article 29; and (xii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

4. The Project will serve \_\_\_\_ new customers in the \_\_\_\_\_ area.

WITNESS my signature and seal on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[SEAL]

\_\_\_\_\_  
By: \_\_\_\_\_  
West Virginia License No. \_\_\_\_\_

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

EXHIBIT B

OPINION OF COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

Ladies and Gentlemen:

We are counsel to \_\_\_\_\_ (the "Governmental Agency"), a \_\_\_\_\_.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated \_\_\_\_\_, \_\_\_\_\_, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of notes of the Governmental Agency, dated \_\_\_\_\_, \_\_\_\_\_ (the "Local Notes"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Notes are issued in the principal amount of \$\_\_\_\_\_, in the form of one note, registered as to principal and interest to the Authority, with interest payable \_\_\_\_\_ on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_ 1, \_\_\_\_\_, at the rate of \_\_\_% per annum, and with principal payable annually on \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_ 1, \_\_\_\_\_, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Notes.

The Local Notes are issued for the purposes of (i) \_\_\_\_\_, [capitalizing interest on the Notes] and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the \_\_\_\_\_ duly adopted or enacted by the Governmental Agency on \_\_\_\_\_, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on \_\_\_\_\_ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Notes are authorized and issued, and the Loan Agreement has been undertaken. The Local Notes are subject to redemption prior to maturity upon 10 days written notice to the Authority.

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

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

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

3. The Governmental Agency is a duly organized and validly existing \_\_\_\_\_, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Notes, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Notes have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the future grant funds received by the Governmental Agency.

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

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

Very truly yours,

## SCHEDULE X

### DESCRIPTION OF LOCAL NOTES

Principal Amount of Local Notes      \$164,414

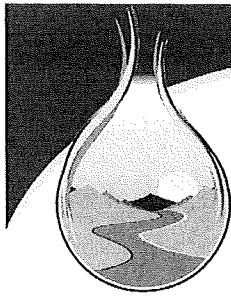
Interest on the Local Notes is payable on August 15, 2018 and February 15, 2019, and at maturity on August 15, 2019, at the rate of 1.70% per annum. Principal of the Local Notes is payable on August 15, 2019. Interest on the Local Notes shall be capitalized and deposited with the West Virginia Municipal Bond Commission. If the Local Notes are not paid in full on or before August 15, 2019, interest will accrue at the rate of 1.70% per annum for the number of days between August 15, 2019, and the actual payment date unless amended by the Authority.

The Local Notes shall grant the Authority a first lien on the West Virginia American Water Company contribution and all the future grant receipts received by the Governmental Agency.

The Project will serve 106 new customers in the vicinity of WV Rt. 2 to Frontage Rd. near the Cabell/Mason county line, Upper Tom's Creek, Big Cabell Creek, Lower Heath Creek, Raccoon Creek and Cavill Creek areas of Cabell County.

## SCHEDULE Z

[None]



## WEST VIRGINIA

Infrastructure & Jobs Development Council

December 11, 2017

Patricia Lee  
SALT ROCK WATER PSD  
RT 1 Box 31 Water Plant Road  
Salt Rock, WV 25559

Re: SALT ROCK WATER PSD  
Water Line Extension Project No. 2017W-1714  
Preliminary Application Approved

Dear Patricia Lee:

The West Virginia Infrastructure and Jobs Development Council (Council) has reviewed the preliminary application for the above-referenced project (Project).

Based on the findings of the Water Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The Sponsor should carefully review the comments of the Water Technical Review Committee, as found on the Project Team Members' Dashboards at [www.wvinfrastructure.com](http://www.wvinfrastructure.com), as the Sponsor may need to address certain issues raised in said comments as it proceeds with the Project.

Below is loan information for this Project:

DWTRF Loan ( Term: 30 years Rate: 0.7500% ) - \$2,488,000.00 - Recommended

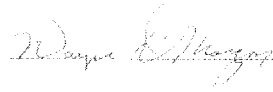
Below is grant information for this Project:

Other Grant - \$365,160.00 - Committed

DWTRF Prinicipal Forgiveness - \$806,840.00 - Recommended

Total project cost is \$3,660,000.00. If you have any questions regarding this matter, please contact Wayne Morgan, Executive Director, at (304) 414-6501 (X106).

Sincerely,



Wayne Morgan  
Executive Director

cc: Robert DeCrease, West Virginia Bureau for Public Health (BPH)  
Jonathan Carpenter, Thrasher Engineering, Inc.  
Kathryn K. Elliott, Region 2 - Planning & Development Council  
Michael D Griffith, Griffith & Associates  
Samme Gee, Esq., Jackson Kelly

Salt Rock Water Public Service District  
Water Grant Anticipation Notes, Series 2018 A  
(West Virginia Water Development Authority)

CROSS-RECEIPT FOR SERIES 2018 A NOTE PROCEEDS

On the 21st day of March, 2018, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Salt Rock Water Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 21st day of March, 2018, the Authority received the Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority), of the Issuer, in the principal amount of \$164,414, numbered AR-1 (the "Series 2018 A Notes"), issued as a single, fully registered Note.

2. At the time of such receipt the Series 2018 A Notes had been executed by the Chairman and the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Notes.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2018 A Notes an amount of \$164,414 being the entire principal amount of the Series 2018 A Notes.

[Remainder of Page Intentionally Blank]

Dated as of the day and year first written above.

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

By: Sheila A. Miller  
Its: Authorized Representative

SALT ROCK WATER PUBLIC SERVICE DISTRICT

By: Robert L Burns  
Its: Chairman

SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
SALT ROCK WATER PUBLIC SERVICE DISTRICT  
WATER GRANT ANTICIPATION NOTES, SERIES 2018 A  
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1

\$164,414

KNOW ALL MEN BY THESE PRESENTS: That on this the 21st day of March, 2018, SALT ROCK WATER PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Cabell 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 ONE HUNDRED SIXTY FOUR THOUSAND FOUR HUNDRED AND FOURTEEN DOLLARS \$164,414) on the maturity date of August 15, 2019.

Interest only shall commence on the date hereof on the amount advanced and outstanding, payable in semi-annual installments on February 15 and August 15 of each year in arrears at the rate of 1.70% per annum with the first payment due on August 15, 2018 as set forth on the "Debt Service Schedule" attached as EXHIBIT A hereto and incorporated herein by reference. The interest on this Note is payable by wire, check or draft of the Paying Agent mailed to the Authority or by such other method as shall be mutually agreeable so long as the Authority is the owner hereof.

This Note 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 upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated March 21, 2018.

This Note is issued (i) to temporarily pay the costs of design and other pre-construction activities performed by Triad Engineering, Inc. (the "Design Project"); (ii) to pay capitalize interest on the Notes until maturity; and (iii) to pay certain costs of issuance and related costs. The existing public waterworks facilities of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Note Resolution duly adopted by the Issuer on March 16, 2018, and a Supplemental Resolution duly adopted by the Issuer on March 16, 2018 (collectively, the "Note Legislation"), and is subject to all the terms and conditions thereof. The Note Legislation provides for the issuance of additional notes under certain conditions, and such notes would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Notes under the Note Legislation.

THIS NOTE HAS NO LIEN ON THE GROSS OR NET REVENUES OF THE SYSTEM. THE PAYMENT OF THE DEBT SERVICE ON THE SERIES 2018 A NOTE

SHALL BE SECURED BY A FIRST LIEN ON THE WVAWC CONTRIBUTION AND ALL GRANT PROCEEDS RECEIVED BY THE ISSUER SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2018 A NOTE TO PERMANENTLY FINANCE A PORTION OF THE COSTS OF THE PROJECT.

This Note and the interest thereon are payable only from and secured by a first lien on the proceeds of the WVAWC contribution and grant or grants made available to the Issuer subsequent to the issuance of the Notes to permanently finance the Costs of the Project. This Note 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, except as set forth in the Note Resolution.

This Note, 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 Note shall be applied solely to payment of the Costs of the Project and costs of issuance described in the Note Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the Owner of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, 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.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SALT ROCK WATER PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated the day and year first written above.

[SEAL]

  
Chairman

ATTEST

  
Secretary

EXHIBIT A

DEBT SERVICE SCHEDULE

**Bond Pricing**  
*Salt Rock PSD*  
**GANS**  
*1.70% Interest Rate*

| Bond Component | Maturity Date | Amount  | Rate   | Yield  | Price   |
|----------------|---------------|---------|--------|--------|---------|
| :              | 8/15/2019     | 164,414 | 1.700% | 1.700% | 100.000 |
|                |               | 164,414 |        |        |         |

|                         |            |             |  |
|-------------------------|------------|-------------|--|
| Dated Date              | 3/21/2018  |             |  |
| Delivery Date           | 3/21/2018  |             |  |
| First Coupon            | 8/15/2018  |             |  |
| Par Amount              | 164,414.00 |             |  |
| Original Issue Discount |            |             |  |
| Production              | 164,414.00 | 100.000000% |  |
| Underwriter's Discount  |            |             |  |
| Purchase Price          | 164,414.00 | 100.000000% |  |
| Accrued Interest        |            |             |  |
| Net Proceeds            | 164,414.00 |             |  |

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**Sources and Uses of Funds**

*Salt Rock PSD*

**GANS**

*1.70% Interest Rate*

Dated Date 3/21/2018

Delivery Date 3/21/2018

**Sources:**

Bond Proceeds:

|            |            |
|------------|------------|
| Par Amount | 164,414.00 |
|            | 164,414.00 |

**Uses:**

Project Fund Deposits:

|              |            |
|--------------|------------|
| Project Fund | 150,000.00 |
|--------------|------------|

Other Fund Deposits:

|                           |          |
|---------------------------|----------|
| Capitalized Interest Fund | 3,913.06 |
|---------------------------|----------|

Delivery Date Expenses:

|                  |           |
|------------------|-----------|
| Cost of Issuance | 10,500.00 |
|------------------|-----------|

Other Uses of Funds:

|                 |            |
|-----------------|------------|
| Rounding Amount | 0.94       |
|                 | 164,414.00 |

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**Net Debt Service**

*Salt Rock PSD*

**GANS**

*1.70% Interest Rate*

| <b>Date</b> | <b>Principal</b> | <b>Interest</b> | <b>Total Debt<br/>Service</b> | <b>Capitalized<br/>Interest<br/>Fund</b> | <b>Net Debt<br/>Service</b> |
|-------------|------------------|-----------------|-------------------------------|------------------------------------------|-----------------------------|
| 8/15/2018   |                  | 1,118.02        | 1,118.02                      | 1,118.02                                 |                             |
| 2/15/2019   |                  | 1,397.52        | 1,397.52                      | 1,397.52                                 |                             |
| 8/15/2019   | 164,414          | 1,397.52        | 165,811.52                    | 1,397.52                                 | 164,414                     |
|             | 164,414          | 3,913.06        | 168,327.06                    | 3,913.06                                 | 164,414                     |

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**Capitalized Interest Fund**

*Salt Rock PSD*

**GANS**

*1.70% Interest Rate*

*Capitalized Interest Fund*

| <b>Date</b> | <b>Deposit</b> | <b>Interest</b> | <b>Principal</b> | <b>Scheduled<br/>Draws</b> | <b>Balance</b> |
|-------------|----------------|-----------------|------------------|----------------------------|----------------|
| 3/21/2018   | 3,913.06       |                 |                  |                            | 3,913.06       |
| 8/15/2018   |                |                 | 1,118.02         | 1,118.02                   | 2,795.04       |
| 2/15/2019   |                |                 | 1,397.52         | 1,397.52                   | 1,397.52       |
| 8/15/2019   |                |                 | 1,397.52         | 1,397.52                   |                |
|             | 3,913.06       |                 | 3,913.06         | 3,913.06                   |                |

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(Form of)

ASSIGNMENT

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

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

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

**WV MUNICIPAL BOND COMMISSION**

State Lottery Building  
900 Pennsylvania Avenue, Suite 1117  
Charleston, WV 25302  
(304) 558-3971

**NEW ISSUE REPORT FORM**Date of Report: 3/21/2018

|                                                                                                       |  |                                                |  |
|-------------------------------------------------------------------------------------------------------|--|------------------------------------------------|--|
| <b>ISSUE:</b> <u>Salt Rock Water Public Service District</u>                                          |  |                                                |  |
| <u>Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority)</u>      |  |                                                |  |
| <b>ADDRESS:</b> <u>4002 Ohio River Road, Huntington, WV 25702</u>                                     |  | <b>COUNTY:</b> <u>Cabell</u>                   |  |
| <b>PURPOSE OF ISSUE:</b>                                                                              |  |                                                |  |
| New Money: <u>x</u>                                                                                   |  | REFUNDS ISSUE(S) DATED: <u>NA</u>              |  |
| Refunding: _____                                                                                      |  | CLOSING DATE: <u>3/21/2018</u>                 |  |
| ISSUE DATE: <u>3/21/2018</u>                                                                          |  | RATE: <u>1.70%</u>                             |  |
| ISSUE AMOUNT: <u>\$164,414</u>                                                                        |  | 1ST PRINCIPAL DUE <u>NA</u>                    |  |
| 1ST DEBT SERVICE DUE: <u>8/15/2018</u>                                                                |  | PAYING AGENT: <u>Municipal Bond Commission</u> |  |
| 1ST DEBT SERVICE AMOUNT <u>\$1,118.02</u>                                                             |  |                                                |  |
| <b>BOND COUNSEL:</b>                                                                                  |  | <b>UNDERWRITERS COUNSEL</b>                    |  |
| Firm: <u>Steptoe &amp; Johnson PLLC</u>                                                               |  | Firm: <u>Jackson Kelly, PLLC</u>               |  |
| Contact: <u>John Stump, Esquire</u>                                                                   |  | Contact: <u>Samme Gee, Esquire</u>             |  |
| Phone: <u>(304) 353.8196</u>                                                                          |  | Phone: <u>(304) 340-1318</u>                   |  |
| <b>CLOSING BANK:</b>                                                                                  |  | <b>ESCROW TRUSTEE:</b>                         |  |
| Bank: _____                                                                                           |  | Firm: _____                                    |  |
| Contact: _____                                                                                        |  | Contact: _____                                 |  |
| Phone: _____                                                                                          |  | Phone: _____                                   |  |
| <b>KNOWLEDGEABLE ISSUER CONTACT</b>                                                                   |  | <b>OTHER:</b>                                  |  |
| Contact: <u>Patty Lee</u>                                                                             |  | Agency: <u>West Virginia Water</u>             |  |
| Position: <u>Manager</u>                                                                              |  | <u>Development Authority</u>                   |  |
| Phone: <u>304-522-3778</u>                                                                            |  | Contact: <u>Marie Prezioso</u>                 |  |
|                                                                                                       |  | Position: <u>Director</u>                      |  |
|                                                                                                       |  | Phone: <u>304.414.6500</u>                     |  |
| <b>DEPOSITS TO MBC AT CLOSE</b>                                                                       |  |                                                |  |
| By: <u>x</u> Wire                                                                                     |  | Accrued Interest: \$ _____                     |  |
| _____ Check                                                                                           |  | <u>x</u> Capitalized Interest: \$ <u>3,914</u> |  |
|                                                                                                       |  | Reserve Account: \$ _____                      |  |
|                                                                                                       |  | Other: \$ _____                                |  |
| <b>REFUNDS &amp; TRANSFERS BY MBC AT CLOSE</b>                                                        |  |                                                |  |
| By: _____ Wire                                                                                        |  | To Escrow Trustee \$ _____                     |  |
| _____ Check                                                                                           |  | To Issuer \$ _____                             |  |
| _____ IGT                                                                                             |  | To Cons. Invest. Fund \$ _____                 |  |
|                                                                                                       |  | To Other: _____ \$ _____                       |  |
| <b>NOTES:</b> <u>The Series 2018 A Notes do not have a reserve account.</u>                           |  |                                                |  |
| <u>The Series 2018 A Notes are to be repaid with a WVAVC contribution to the construction project</u> |  |                                                |  |
| <u> </u>                                                                                              |  |                                                |  |
| <b>FOR MUNICIPAL BOND COMMISSION USE ONLY:</b>                                                        |  |                                                |  |
| DOCUMENTS REQUIRED: _____                                                                             |  |                                                |  |
| TRANSFERS REQUIRED: _____                                                                             |  |                                                |  |
| _____                                                                                                 |  |                                                |  |



**STEPTOE &  
JOHNSON**  
PLLC  
ATTORNEYS AT LAW

Chase Tower, 17th Floor  
P.O. Box 1588  
Charleston, WV 25326-1588  
(304) 353-8000 (304) 353-8180 Fax  
[www.stepToe-johnson.com](http://www.stepToe-johnson.com)

Writer's Contact Information

March 21, 2018

Salt Rock Water Public Service District  
Water Grant Anticipation Notes, Series 2018 A  
(West Virginia Water Development Authority)

Salt Rock Water Public Service District  
Salt Rock, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as note counsel in connection with the issuance by Salt Rock Water Public Service District (the "Issuer"), a public service district, public corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its \$164,414 Water Grant Anticipation Notes, Series 2018 A (West Virginia Water Development Authority), dated the date hereof (the "Series 2018 A Notes" or the "Notes").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated March 21, 2018, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), and the Notes, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Notes are originally issued in the form of one Note, bearing no interest, registered as to principal only to the Authority, and with principal payable all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2018 A Notes.

The Series 2018 A Notes are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) to temporarily pay a portion of the costs of the Design Project (the "Project"); (ii) pay capitalized interest; and (iii) to pay costs of issuance.

We have also examined the applicable provisions of the Act, the Note Resolution duly adopted by the Issuer on March 16, 2018, as supplemented by a Supplemental Resolution duly adopted by the Issuer on March 16, 2018 (collectively, the "Note Legislation"), pursuant to and under which Act and Note Legislation the Series 2018 A Notes are authorized and issued, and the Loan Agreement has been entered into. The Series 2018 A Notes 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 Note Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Note Legislation and the Loan 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 public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to enact the Note Legislation and to issue and sell the Series 2018 A Notes, all under the Act and other applicable provisions of law.

2. The Loan 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 cannot be amended by the Issuer so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the written consent of the Authority.

3. The Note Legislation and all other necessary resolutions have been duly and effectively adopted by the Issuer in connection with the issuance and sale of the Series 2018 A Notes and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Note Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Series 2018 A Notes 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 Future Grant proceeds and secured by a first lien on and pledge of the Future Grant proceeds received subsequent to the issuance of the Series 2018 A Notes.

5. The Notes 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, if any, from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Notes.

6. The Series 2018 A Notes are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof, and the interest on the Series 2018 A Notes are exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the Holders of the Series 2018 A Notes and the enforceability of the Series 2018 A Notes, the Loan Agreement and the Note 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 in appropriate cases.

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

Very truly yours,

  
STEPTOE & JOHNSON PLLC

# RONALD J. FLORA

ATTORNEY AT LAW

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March 21, 2018

Salt Rock Water Public Service District  
Water Grant Anticipation Notes, Series 2018 A  
(West Virginia Water Development Authority)

Salt Rock Water Public Service District  
Salt Rock, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Steptoe & Johnson PLLC  
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Salt Rock Water Public Service District in Cabell County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC as note counsel, a Loan Agreement for the Series 2018 A Notes, dated March 21, 2018, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority") (the "Loan Agreement"), a Note Resolution duly adopted by the Issuer on March 16, 2018, as supplemented by a Supplemental Resolution duly adopted by the Issuer on March 16, 2018 (collectively, the "Note Legislation"), and other documents relating to the above-captioned notes of the Issuer (the "Series 2018 A Notes") and orders of The County Commission of Cabell County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Note Legislation and the Loan Agreement when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The Loan 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.
3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed or elected, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

4. The Note Legislation has been duly adopted by the Issuer and is in full force and effect.

5. The execution and delivery of the Series 2018 A Notes and the Loan Agreement and the consummation of the transactions contemplated by the Series 2018 A Notes, the Loan Agreement and the Note 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 order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Series 2018 A Notes and the Note Legislation, the Design Project, the operation of the System, the validity of the Series 2018 A Notes or the collection of the Gross Revenues or the pledge of the West Virginia American Water Company contribution and the Future Grant proceeds for the payment of the Series 2018 A Notes.

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

Very truly yours,



RONALD FLORA