BERKELEY COUNTY PUBLIC SERVICE DISTRICT

Merger of Hedgesville Public Service District and Opequon Public Service District into Berkeley County Public Service District

Date of Merger: July 1, 2002

MERGER TRANSCRIPT
VOLUME 2 OF 2

STEPTOE & JOHNSON PLLC

Vincent A. Collins, Esquire
3rd and Main Street
Bank One Center, Sixth Floor
Clarksburg, WV 26302
(304)624-8161
collinva@steptoe-johnson.com

John C. Stump, Esquire
707 Virginia Street, East
Bank One Center, Seventh Floor
Charleston, WV 25326
(304)353-8196
stumpjc@steptoe-johnson.com

BERKELEY COUNTY PUBLIC SERVICE DISTRICT

Merger of Hedgesville Public Service District and Opequon Public Service District into Berkeley County Public Service District

MERGER TRANSCRIPT

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BERKELEY COUNTY PUBLIC SERVICE DISTRICT
(West Virginia)

$2,275,000
WATER REVENUE BONDS, SERIES 1994

BOND RESOLUTION

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BERKELEY COUNTY PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC WATERWORKS SYSTEM OF BERKELEY COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT, OF ITS WATER REVENUE BONDS, SERIES 1994, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,275,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH PURPOSE, TO FUND A RESERVE FOR THE BONDS, AND TO PAY COSTS AND EXPENSES IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Berkeley County Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Berkeley County of said State, duly created pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act") by The County Commission of Berkeley County;

WHEREAS, the Issuer presently owns and operates a public waterworks system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by the issuance of bonds or other obligations of which there are presently Outstanding the Series 1993 A Bonds (as hereinafter defined), and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, betterments and improvements for such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer;

WHEREAS, under the provisions of the Act, the Issuer is authorized and empowered to construct, acquire and operate additions, betterments and improvements for the System and to issue revenue bonds to finance the same;

WHEREAS, 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 such additions, betterments and improvements, consisting generally of two new storage tanks, water mains, hydrants, a new wellhouse, well improvements, chlorination facilities and related water system improvements, and all necessary appurtenant facilities (the "Project"); particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer and that the Project be financed through the issuance of the Issuer's water revenue bonds, as hereinafter set forth. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity;

WHEREAS, it is necessary for the Issuer to issue its revenue bonds in the aggregate principal amount of $2,275,000 to permanently finance the costs of such acquisition and construction in the manner hereinafter provided; and

WHEREAS, the Issuer now desires to authorize the acquisition and construction of the Project as aforesaid, and to provide for the financing thereof by the issuance of its revenue bonds as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF BERKELEY COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended and in effect on the date of delivery of the Series 1994 Bonds.

"AMBAC Indemnity" means AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

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

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

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Governing Body, and shall initially mean Steptoe & Johnson, Clarksburg, West Virginia.

"Bondholder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner" or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" or "Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 1994 Bonds, shall initially mean AMBAC Indemnity Corporation.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

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

"Bonds" means, collectively, the Series 1994 Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 1994 Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM, attached hereto.

"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 1994 Bonds for the proceeds representing the purchase price thereof.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Consulting Engineer" means Dewberry & Davis, Fairfax, Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Costs", "Project Costs" or similar terms, means all costs of acquisition, construction and equipping of any project, including the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds prior to and during construction or acquisition and for not more than 6 months after completion of construction of any such project; amounts which may be deposited in the Reserve Account; engineering, legal and accounting expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of any such project, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, fiscal agent fees and expenses, underwriter's discount, initial fees for the services of registrars, paying agents, depositories, trustees or escrow trustees, or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of any such project and the placing of same in operation, and the performance of the things herein required or permitted, in

connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed allowable Costs.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Debt Service," with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means F & M Bank - Martinsburg, Martinsburg, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"District" or "Issuer" means Berkeley County Public Service District, in Berkeley County, West Virginia, a public corporation, political subdivision and public utility of the State of West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body.

"DTC-eligible" means, with respect to the Series 1994 Bonds, meeting the qualifications prescribed by The Depository Trust Company, New York, New York.

"Event of Default" means any occurrence or event specified in Section 7.01.

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

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

"Governing Body," "Board" or "Public Service Board" means the public service board of the Issuer, as may hereafter be constituted.

"Government Obligations" means direct and general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury).

"Gross Revenues" or "Revenues" means the aggregate gross operating and non-operating revenues of the System determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, but 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), amounts received due to an award of grant moneys or proceeds of any

condemnation or insurance award. The terms "Revenues" or "Gross Revenues" shall include but not be limited to the Net Revenues.

"Independent 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 purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Interest Payment Date" means March 1 and September 1 of each year, commencing March 1, 1995.

"Issuer" or "District" means Berkeley County Public Service District, in Berkeley County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year, assuming that the principal of any Term Bonds is deemed due on the earlier of their stated maturity date or the date on which they are required to be redeemed pursuant to mandatory sinking fund redemption.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Series 1994 Bonds as provided therein.

"Net Proceeds" means the face amount of the Series 1994 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Account.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Operating Expenses," unless qualified, means the reasonable current expenses, paid or accrued, of 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 of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Registrar, the Depository Bank and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Prior Bonds or the Bonds, charges for depreciation, losses from the sale or other disposition

of or any decrease in the value of capital assets, expenses relating to grant procurement, expenses funded from capital reserves to pay extraordinary operating, repair or maintenance expenses, expenses that are normally charged to fixed capital accounts under generally accepted accounting principles, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund provided for in Section 4.01 hereof.

"Original Purchaser" means Ferris, Baker Watts, Incorporated, Baltimore, Maryland, as the purchaser of the Series 1994 Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1994 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1994 Bonds directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 1994 Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said Supplemental Resolution to be adopted by the Governing Body at the time of approval of such sale of said Series 1994 Bonds.

"Outstanding," when used with reference to Bonds or Series 1994 Bonds and as of any particular date, describes all Bonds or Series 1994 Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Series 1994 Bond canceled by the registrar for such Bond or Series 1994 Bond at or prior to said date; (b) any Bond or Series 1994 Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this or the Series 1994 Bonds Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar and any other paying agent for the Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined

in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the System, consisting generally of two new storage tanks, water mains, hydrants, a new wellhouse, well improvements, chlorination facilities and related water system improvements, and all necessary appurtenant facilities.

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

A. The following obligations are Qualified Investments for all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

B. The following obligations are Qualified Investments for all purposes other than defeasance investments in refunding escrow accounts:

(1) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System
- Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration;

(2) senior debt obligations rated "AAA" by Standard & Poor's Corporation and "Aaa" By Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. Senior debt obligations of other Government Sponsored Agencies approved by AMBAC Indemnity;

(3) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of an interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) investment agreements approved in writing by AMBAC Indemnity Corporation [supported by appropriate opinions of counsel] with notice to Standard & Poor's Corporation;

(8) any State-administered pool investment fund in which the Issuer is statutorily permitted or required to invest; and

(9) other forms of investments (including repurchase agreements) approved in writing by AMBAC Indemnity with notice to Standard & Poor's Corporation.

C. The value of the above investments shall be determined as follows:

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Issuer in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) as to any investment not specified above: the value thereof established by prior agreement between the Issuer and AMBAC Indemnity Corporation.

"Rebate Fund" means the Rebate Fund created by Section 4.01 hereof.

"Record Date" means the day of the month which shall be so stated or defined in the Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Account" means the Redemption Account created in the Sinking Fund by Section 4.03 hereof.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the premium, if any, required to be paid to effect such redemption and the interest accrued thereon to the Redemption Date.

"Registrar" means the bank to be designated in the Supplemental Resolution as the registrar for the Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954, as amended.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund provided for in Section 4.01 hereof.

"Reserve Account" means the Reserve Account for the Series 1994 Bonds created in the Sinking Fund by Section 4.02 hereof.

"Reserve Account Requirement" means, as of any date of calculation, Maximum Annual Debt Service on the Series 1994 Bonds, the Series 1993 A Bonds and any Bonds issued on a parity therewith, provided that such amount shall not exceed the lesser of (i) ten percent of the Issue Price (as defined in the Code) of such series of Bonds, (ii) one hundred percent of Maximum Annual Debt Service on such series of Bonds or (iii) one hundred twenty-five percent of average annual debt service on such series of Bonds.

"Resolution," regardless of whether preceded by the article "the" or "this," means this Resolution, as it may hereafter from time to time be amended or supplemented.

"Revenue Fund" means the Revenue Fund provided for in Section 4.01 hereof.

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

"Series 1994 Bonds" means the Water Revenue Bonds, Series 1994, of the Issuer, originally authorized to be issued pursuant to this Resolution and the Supplemental Resolution.

"Series 1994 Bonds Sinking Fund" means the Series 1994 Bonds Sinking Fund created by Section 4.02 hereof.

"Series 1993 A Bonds" means the Water Refunding Revenue Bonds, Series 1993 A, of the Issuer, dated March 1, 1993, originally issued in the aggregate principal amount of $3,350,000.

"Series 1993 A Bonds Resolution" means the resolution and supplemental resolution adopted by the Issuer on March 4, 1993, pursuant to which the Series 1993 A Bonds were issued.

"Series 1993 A Bonds Sinking Fund" means the Series 1993 A Bonds Sinking Fund created by the Series 1993 A Bonds Resolution and continued by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 1994 Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

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

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

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Reference to any account or fund created hereunder shall include accounts or funds continued hereby, whether expressly so provided or not.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation, political subdivision and public utility of the State of West Virginia in Berkeley County of said State.

B. The Issuer now has a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, betterments and improvements for such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

C. 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 the Project, particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board of the Issuer. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

D. The estimated maximum cost of the acquisition and construction of the Project is $1,963,752, which will be obtained from the proceeds of sale of the Series 1994 Bonds herein authorized.

E. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Series 1993 A Bonds and the Series 1994 Bonds and all debt service, reserve account and other payments provided for herein.

F. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 1994 Bonds and secure the Series 1994 Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the moneys and securities in the Series 1994 Bonds Reserve Account, unexpended proceeds of the Series 1994 Bonds and as further set forth herein.

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

H. There are Outstanding obligations of the Issuer which will be on a parity with the Series 1994 Bonds as to liens, pledge and source of and security for payment, being the Series 1993 A Bonds. There are no other outstanding bonds or obligations of the Issuer which will rank prior to, on a parity with or subordinate to the Series 1994 Bonds as to liens, pledge and/or source of and security for payment.

I. The Series 1994 Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the form set forth in EXHIBIT A - BOND FORM, attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar, the Original Purchaser or the Issuer.

J. All things necessary to make the Series 1994 Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 1994 Bonds, will be timely done and duly performed.

K. The adoption of this Resolution, and the execution and issuance of the Series 1994 Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

L. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 1994 Bonds, or will have so complied prior to issuance of the Series 1994 Bonds, including among other things and without limitation, the consent and approval, pursuant to the Act and other applicable provisions of law, of the issuance of the Series 1994 Bonds, the acquisition and construction of the Project and the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or have been waived by all appropriate parties.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall own or hold the same from time to time, this Resolution and the provisions hereof shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $1,963,752, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date, from such Interest Payment Date or, if no interest on such Bonds has been paid, from the date thereof; or, if and to the extent that the Issuer shall have defaulted in the payment of interest on any Interest Payment Date, then from the most recent Interest Payment Date to which interest has been paid or duly provided for.

The principal of and the premium, if any, on the Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

Section 3.02. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold

the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 1994 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for registration and transfer set forth below, the Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State.

So long as any of the Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the

event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Net Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Redemption Account in accordance with Section 4.03 shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory

Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

B. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory redemption date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Sinking Fund), as will exhaust as nearly as practicable such Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory redemption date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date;

(2) The Redemption Price;

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, including CUSIP numbers;

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar; and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

Prior to any Redemption Date, the Issuer shall deposit with the Registrar an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

In addition to the foregoing notice, further notice as set out below shall be given by the Registrar, at the instruction of the Issuer, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each bond being redeemed; (iv) the maturity date of each bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to the Bond Buyer or the Redemption Digest, of New York, New York, and all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, Pacific Securities Depository Trust Company of San Francisco, California and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania).

(3) Upon the payment of the Redemption Price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Sections 3.01 and 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for

Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 1994 Bonds. For the purposes of paying Costs of the Project, funding the Reserve Account or portion thereof and paying costs of issuance thereof, there shall be issued the Series 1994 Bonds of the Issuer, in an aggregate principal amount of not more than $2,275,000. Said Series 1994 Bonds shall be designated, "Water Revenue Bonds, Series 1994" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 1994 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 1994 Bonds shall be numbered from R-1 consecutively upward. The Series 1994 Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Delivery of Series 1994 Bonds. The Issuer shall execute and deliver the Series 1994 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 1994 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the Series 1994 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1994 Bonds to the Original Purchaser;

(C) Copies of this Resolution and the Supplemental Resolution, certified by the Secretary;

(D) The unqualified approving opinion upon the Series 1994 Bonds by Bond Counsel; and

(E) The Municipal Bond Insurance Policy or a copy thereof.

Section 3.12. Form of Series 1994 Bonds. The definitive Series 1994 Bonds shall be in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 1994 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval. The definitive Series 1994 Bonds shall have the form of the opinion of Steptoe & Johnson, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.13. Disposition of Proceeds of Series 1994 Bonds. Upon the issuance and delivery of the Series 1994 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1994 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Sinking Fund and applied to payment of interest on the Series 1994 Bonds at the first Interest Payment Date.

B. The amount of Series 1994 Bond Proceeds which, together with other moneys or securities of the Issuer, are equal to the Reserve Account Requirement, shall be remitted to the Bond Commission for deposit in the Reserve Account, provided that, to the extent the Reserve Account Requirement is satisfied in whole or in part from other funds of the Issuer, Series 1994 Bond Proceeds shall be deposited in the Reserve Account only to the extent needed to satisfy the balance of the Reserve Account Requirement.

C. The amount of Series 1994 Bonds proceeds sufficient to pay all costs of issuance of the Series 1994 Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 1994 Bonds at the written direction of the Issuer. Moneys not to be applied immediately to pay such costs of issuance may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose, such unapplied proceeds shall be transferred by the Issuer to the Series 1994 Bonds Redemption Account established by Section 4.02 hereof. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 1994 Bonds from which such proceeds are derived.

D. The balance of the proceeds of the Bonds shall be deposited in the Construction Fund and applied to payment of Costs of the Project in accordance with Section 3.15 hereof.

Section 3.14. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly. Disbursements from the Construction Fund (except for payment of costs of issuance of the Series 1994 Bonds in excess of the moneys

available in the Costs of Issuance Fund and fees and expenses of the Consulting Engineer which shall be made upon request of the Issuer) shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer, stating:

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

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

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

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

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

Pending such application, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineer, the Depository Bank shall transfer any moneys remaining in the Construction Fund to the Series 1994 Bonds Redemption Account, to be applied to redemption of the Series 1994 Bonds at the earliest redemption date thereof.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following separate and special funds are created and established with (or continued if previously established by the Series 1993 A Bonds Resolution), and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01) and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Operation and Maintenance Fund;

(3) Renewal and Replacement Fund;

(4) Costs of Issuance Fund;

(5) Rebate Fund; and

(6) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds and accounts are hereby created and established (or continued if previously established by the Series 1993 A Bonds Resolution), with and shall be held by the Bond Commission:

(1) Series 1993 A Bonds Sinking Fund;

(a) Within the Series 1993 A Bonds Sinking Fund:

(i) Series 1993 A Bonds Reserve Account; and

(ii) Series 1993 A Bonds Redemption Account.

(2) Series 1994 Bonds Sinking Fund;

(a) Within the Series 1994 Bonds Sinking Fund:

(i) Series 1994 Bonds Reserve Account; and

(ii) Series 1994 Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Resolution. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, each month, transfer from the Revenue Fund and deposit into the Operation and Maintenance Fund, an amount sufficient to pay the current Operating Expenses of the System.

(2) The Issuer shall next, from the moneys remaining in the Revenue Fund, (i) on the first day of each month, transfer from the Revenue Fund and pay to the Bond Commission the amounts required by the Series 1993 A Bonds Resolution to be deposited in the Series 1993 A Bonds Sinking Fund for payment of principal of and interest on the Series 1993 A Bonds, (ii) simultaneously therewith, on the first day of each month, beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 1994 Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission, for deposit in the Series 1994 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1994 Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 1994 Bonds Sinking Fund and the next ensuing semiannual interest payment date is more than or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1994 Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1994 Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 1994 Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 1994 Bonds Sinking Fund, and (iii) simultaneously therewith, remit to the Bond Commission for deposit in the Series 1994 Bonds Sinking Fund, and in the Series 1994 Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, on the first day of each month, beginning on the first day of

that month which is 12 months prior to the first principal payment or mandatory redemption date of the Series 1994 Bonds, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 1994 Bonds on the next ensuing principal payment or mandatory redemption date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 1994 Bonds Sinking Fund and the next ensuing principal payment or mandatory redemption date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory redemption date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 1994 Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, (i) on the first day of each month, transfer from the Revenue Fund and pay to the Bond Commission the amounts, if any, required by the Series 1993 A Bonds Resolution to be deposited in the Series 1993 A Bonds Reserve Account, and (ii) simultaneously therewith, on the first day of each month, apply such moneys, to the full extent necessary, for deposit into the Series 1994 Bonds Reserve Account beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1994 Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 1994 Bonds Reserve Account is less than the Reserve Account Requirement, or (b) amounts have been withdrawn from the Series 1994 Bonds Reserve Account, for deposit into the Series 1994 Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be sufficient to restore the amount of moneys on deposit in the Series 1994 Bonds Reserve Account to an amount equal to the Reserve Account Requirement; provided, that in no event shall the amount deposited into the Series 1994 Bonds Reserve Account in any month be less than, in the event the deficiency in the Reserve Account Requirement is due to a decrease in the value of the Qualified Investments therein in excess of 10% of such amount, an amount equal to not less than 1/4th of the amount of such deficiency, and otherwise, an amount equal to not less than 1/12th of the amount of the deficiency in the Series 1994 Bonds Reserve Account determined as set forth in clause (a) above and the amount then withdrawn from the Reserve Account (it being understood that any such 1/12th payment shall be made in such amount for

12 consecutive months unless the amount in the Series 1994 Bonds Reserve Account shall have been made equal to the Reserve Account Requirement prior to such twelfth consecutive month) subject to the provisions of Section 5.01(C) hereof; and provided further, that no payments shall be required to be made into the Series 1994 Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Reserve Account Requirement.

(4) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the prior month's Gross Revenues. No further payments shall be required to be made into the Renewal and Replacement Fund when there shall have been deposited therein, and so long as there shall remain on deposit therein, the sum of $250,000.

(5) The Issuer may next, each month, after making the above required transfers of moneys from the Revenue Fund, accrue the surplus then remaining in the Revenue Fund and if there is a balance in the Revenue Fund in excess of the estimated amounts to be paid into the Operation and Maintenance Fund and the Sinking Fund during the succeeding 3 months, such excess may be withdrawn and paid into the Renewal and Replacement Fund or used for the purchase or retirement prior to maturity of Bonds.

(6) If on any monthly payment date the Gross Revenues are insufficient to make the required deposits in any of the funds as hereinabove provided, the deficiency shall be made up on the next ensuing payment dates by payments in addition to the payments which are otherwise required to be made into the funds on such ensuing payment dates.

B. The Issuer shall not be required to make any further payments into the Series 1994 Bonds Sinking Fund when the aggregate amount of funds in the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, is at least equal to the aggregate principal amount of Series 1994 Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 1994 Bonds then Outstanding.

C. As and when additional Bonds ranking on a parity with the Series 1994 Bonds are issued, provision shall be made for additional payments into the Series 1994 Bonds Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity in accordance with the provisions hereof and to accumulate a balance in the Series 1994 Bonds Reserve Account in an

amount equal to the maximum provided and required to be paid into the Series 1994 Bonds Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from the Series 1994 Bonds Sinking Fund.

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

E. The Issuer shall restore any withdrawals from the Series 1994 Bonds Reserve Account which have the effect of reducing the assets therein below the Reserve Account Requirement from the first Net Revenues available after all other required payments to the Series 1994 Bonds Sinking Fund, including any deficiencies for prior payments, have been made in full; provided, that the Issuer shall not be required to restore such deficiency when the aggregate amount of funds in the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, is at least equal to the aggregate amount of Series 1994 Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on said Series 1994 Bonds then Outstanding.

F. Withdrawals and disbursements may be made by the Issuer from the Renewal and Replacement Fund only for the following purposes:

(a) To make up any deficiency in the several Reserve Accounts (so that the amount on deposit therein is at least equal to the Reserve Account Requirement);

(b) For the payment of the principal (including the principal amount to be paid under the mandatory redemption schedules) of or interest on the Bonds, but only in the event that at the time of such withdrawal there are not sufficient funds for such purpose in the several Sinking Funds (including the Reserve Accounts therein);

(c) For the payment of the reasonable costs of land and depreciable renewals, repairs, extensions, improvements and additions to the System;

(d) For the payment of debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such land and depreciable renewals, repairs, extensions, improvements and additions to the System; or

(e) To meet payment of Operating Expenses of the System to whatever extent and if for any reason funds in the Operation and Maintenance Fund are insufficient for that purpose.

G. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1994 Bonds Sinking Fund created hereunder, and all amounts required for said Series 1994 Bonds Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited. Notwithstanding such designation to the contrary, the Bond Commission shall deposit all remittances in the amounts and in the funds and accounts as provided herein.

H. The Bond Commission shall, on or prior to any Interest Payment Date, or principal payment date, remit to the Paying Agent the amount payable on the Series 1994 Bonds on such dates, to the extent that moneys are available in the Series 1994 Bonds Sinking Fund for such payment.

I. The moneys on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC 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 municipal funds under the laws of the State.

J. The Issuer shall remit from the Revenue Fund to pay the fees and charges, if any, when due, of the Bond Commission, the Registrar, the Paying Agent, and the Depository Bank, on such dates as the Bond Commission, the Registrar, the Paying Agent, and the Depository Bank, as the case may be.

K. If on any monthly payment date the Gross Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

L. Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be

deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

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

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

O. All Connection Fees, if any, shall be deposited by the Issuer, as received, in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer 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 Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the Renewal and Replacement Fund or any Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 3 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission, to semiannually transfer from any Reserve Account to the Sinking Fund any earnings on the moneys deposited therein and any other funds in excess of the Reserve Account Requirement; provided, however, that there shall at all times remain on deposit in each Reserve Account an amount at least equal to the Reserve Account Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from any Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in such Reserve Account shall, at any time, be less than the applicable Reserve Account Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be

made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(4).

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in any Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Issuer of Investments pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds of each series in such manner and to such extent as may be necessary, so that such Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to such Bonds) so that the interest on such Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1994 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with

Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the Sinking Fund and all accounts therein, the unexpended proceeds of the Bonds or moneys in a construction fund, if any, all as herein provided. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues; Respective Lien Positions. The payment of the debt service of all of the Series 1994 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System, on a parity with the lien on such Net Revenues in favor of the holders of the Series 1993 A Bonds, to the extent necessary to make the payments required under Section 4.03. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized, and to make the payments into the Sinking Funds, all moneys and securities in the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the principal of and interest on the Series 1994 Bonds herein authorized and the Series 1993 A Bonds herein described as the same become due and for the other purposes provided in this Resolution.

Section 6.04. Rates. Prior to the issuance of the Series 1994 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Secretary of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross

Revenues from the System sufficient to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than the sum of (i) 115% of the Maximum Annual Debt Service on all Bonds, the Series 1993 A Bonds and any additional Bonds ranking on a parity therewith in any Fiscal Year; and (ii) the amount, if any, required to be deposited in the Series 1993 A Bonds Reserve Account and Series 1994 Bonds Reserve Account in order to satisfy the respective Reserve Account Requirements within a period of not more than 12 months, assuming equal payments are made each month. All such rates and charges, if not paid when due, shall constitute a lien upon the premises served by the System. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The Issuer hereby covenants to apply to the Public Service Commission of West Virginia as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination by the Issuer that less than the above-required coverage exists or in the event that the annual budget shows that less than the above-required coverage will be available at any time during the next ensuing Fiscal Year, such increase to provide rates and charges sufficient to produce such required coverage.

Section 6.05. Operation and Maintenance. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Resolution.

Section 6.06. Sale of the System. Subject to applicable provisions of law and rules and regulations of the Public Service Commissio[illegible] West Virginia, the System may be sold, mortgaged, leased or otherwise disposed [illegible] a whole, or substantially as a whole, and only if the net proceeds to be reali[illegible] ficient to defease the pledge created by this Resolution as provided b[illegible] proceeds from such sale, mortgage, lease or other disposition o[illegible] diately remitted to Bond Commission for deposit in the Sin[illegible] ribed by Section 9.01. Any balance remaining after s[illegible] Issuer by the Bond Commission unless necessary for [illegible] 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 hereafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, 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 Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and 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 $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Depreciation Fund or the Redemption Account. Such payments of such proceeds into the Depreciation Fund or the Redemption Account shall reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Resolution, as provided by Section 9.01, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding or, in lieu of such consent, the written consent of the Bond Insurer, so long as the Bond Insurer is not in default under the Municipal Bond Insurance Policy. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except additional parity Bonds provided for in Section 6.08 hereof, payable from the Revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Net Revenues with the Series 1994 Bonds; and all obligations hereafter issued by the Issuer payable from the Revenues of the System, except such additional Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such Revenues and in all other respects to the Series 1994 Bonds.

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, except with respect to such additional parity Bonds, being on a parity with the lien of the Series 1994

Bonds, a upon any of the income and Revenues of the System pledged s 1994 Bonds and the interest thereon in this Resolution or upon hereof.

ditional Parity Bonds. No additional parity Bonds, as in this section he Revenues of the System shall be issued after the issuance of the ant to this Resolution, except under the conditions and in the manne

arity Bonds shall be issued except for the purpose of financing the costs of the ... of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or any combination of such purposes.

No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the Issuer a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity Bonds, plus the increased annual Net Revenues expected to be received during the first year following the date of issuance of such parity Bonds shall not be less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 1994 Bonds and Series 1993 A Bonds then Outstanding;

(2) Any additional parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The additional parity Bonds then proposed to be issued.

The "increased annual Net Revenues expected to be received" as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the time for appeal of which shall have expired (without successful appeal) prior to the date of delivery of such additional parity Bonds, and shall not exceed the amount to be stated in the aforementioned certificate of Independent Accountants, which shall be filed in the office of the Secretary of the Issuer prior to the issuance of such additional parity Bonds. The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, and filed with the Governing Body, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer and approved by the Public

Service Commission of West Virginia the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity Bonds," as used in this section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this section, payable from the Net Revenues of the System on a parity with the Series 1994 Bonds, and all the covenants and other provisions of this Resolution (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 1994 Bonds and the Holders of any additional parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said Net Revenues, without preference of any such Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such additional parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

No additional parity Bonds shall be valid unless authenticated pursuant to Section 3.03. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 with respect to the Series 1994 Bonds (other than the Municipal Bond Insurance Policy), modified as deemed necessary by the Registrar to reflect the issuance of such additional parity Bonds.

The term "additional parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Net Revenues. Any [illegible] subordinate bonds, notes, certificates or other obligations shall be payable from th[illegible] remaining after all payments required to be made pursuant to Section 4.0[illegible] been paid. The Issuer shall not issue any obligations whatsoever [illegible] of the System, or any part thereof, which rank prior to o[illegible] and security for payment from such Net Revenues, with [illegible] and under the conditions provided in this section.

No additional pa[illegible] ion defined, shall be issued at any time, however, unless all of the payme[illegible] ctive funds and accounts provided for in this Resolution on account of the Bonds [illegible] Outstanding (excluding the Renewal and Replacement Fund), and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of the additional parity Bonds.

The Issuer may issue additional parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Bonds or portion thereof, provided that the annual Debt Service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual Debt Service required in such year if the Bonds to be refunded were not so refunded.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer from claims for bodily injury and/or death and 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, provided that, the Issuer, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure. If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal utility systems of similar size and type in the State to the extent that such information is available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

C. WORKER'S 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 Secretary of the County Commission of Berkeley County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

D. FLOOD INSURANCE, to extent available at reasonable cost to the Issuer.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer and employee of the Issuer having custody of the Gross 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.

Section 6.10. Report of Consulting Engineers. The Issuer shall, at least once every year, retain recognized independent Consulting Engineers in the field of waterworks engineering to supervise and review the operation, maintenance and repair of the System and to report to the Governing Body in writing their recommendations and comments pertaining to the System. Such annual report of the Consulting Engineers, or a summary thereof, shall be made available, upon request, to the Original Purchaser upon request and any Bondholder.

Section 6.11. Free Services and Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential services be established for users in the same class; and, in the event the Issuer, or any department, agency, instrumentality, officer or employee thereof shall avail himself 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 6.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due

and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other changes, 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 and facilities of the System and any services and facilities of its sewer system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest penalty charges for the restoration of service, have been fully paid, and shall take such further actions to enforce collections to the maximum extent permitted by law.

Section 6.13. 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 or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.14. Books and Records. The Issuer will keep a proper system of accounts showing receipts from the operation of the System so long as consistent with the laws of the State and will keep proper books of record and account of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds 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 allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Governing Body. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Original Purchaser and any Bond Insurer, within 120 days following the end of each Fiscal Year, and shall mail to any Bondholder requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses and Net 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 Resolution, and the status of all said funds and accounts.

(C) The amount of Series A Bonds, Bonds and other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.15. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the Act and/or the by-laws, rules of procedure and resolutions of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance expenses of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and any bondholder who shall have filed their names and addresses with the Issuer for purposes of receiving such budget and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of the Bonds and the Series 1993 A Bonds Outstanding.

Section 6.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1994 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1994 Bonds during the term thereof is, under the terms of the Series 1994 Bonds or any underlying arrangement,. directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1994 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1994 Bonds during the term thereof is, under the terms of the Series 1994 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1994 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the project financed thereby, or if the Series 1994 Bonds are for the purpose of financing more than one project, a portion of the project financed thereby, and shall not exceed the proceeds used for the governmental use of the portion of the project financed thereby to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 1994 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1994 Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1994 Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 1994 Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions or fail to take any actions the result of which would adversely affect such exclusion.

Section 6.18. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer intends to obtain a Municipal Bond Insurance Policy for the Series 1994 Bonds from AMBAC Indemnity. The following additional covenants of the Issuer are required by AMBAC Indemnity as a condition to insuring the Series 1994 Bonds, shall apply to the Series 1994 Bonds and any other Bonds which may be insured by AMBAC Indemnity and shall be controlling with respect to such Series 1994 Bonds in the event any other provisions of this Resolution may be in conflict therewith. The Issuer hereby covenants, with respect to the Series 1994 Bonds and any other Bonds insured by AMBAC Indemnity, as follows:

A. Consent of AMBAC Indemnity. Any provision of this Resolution expressly recognizing or granting rights in or to AMBAC Indemnity may not be amended in any manner which affects the rights of AMBAC Indemnity hereunder without the prior written consent of AMBAC Indemnity.

B. Consent of AMBAC Indemnity in Addition to Bondholder Consent. Unless otherwise provided in this Section, AMBAC Indemnity's consent shall be required in addition to Bondholder consent, when required, for the purposes of (i) execution and delivery of any supplemental or amendatory resolution or change to or modification of this Resolution; (ii) removal of the Registrar or Paying Agent and selection and appointment of any successor; and (iii) initiation or approval of any other action which requires Bondholder consent.

C. Consent of AMBAC Indemnity in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Issuer must be acceptable to AMBAC Indemnity. In the event of any reorganization or liquidation, AMBAC Indemnity shall have the right to vote on behalf of all bondholders who hold AMBAC Indemnity-insured bonds absent a default by AMBAC Indemnity under the applicable Municipal Bond Insurance Policy insuring such Bonds.

D. Consent of AMBAC Indemnity Upon Event of Default. Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Resolution, including, without limitation, the right to accelerate the principal of the Series 1994 Bonds as described in this Resolution and the right to annul any declaration of acceleration, and AMBAC Indemnity shall also be entitled to approve all waivers of Events of Default.

E. Notices to be Given to AMBAC Indemnity. While the Municipal Bond Insurance Policy is in effect, the Issuer shall furnish to AMBAC Indemnity:

(i) As soon as practicable after the filing thereof, a copy of any financial statement of the Issuer and a copy of any audit and annual report of the Issuer;

(ii) A copy of any notice to be given to the registered owners of the Series 1994 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 1994 Bonds, and any certificate rendered pursuant to this Resolution relating to the security for the Bonds; and

(iii) Such additional information AMBAC Indemnity may reasonably request.

The Issuer shall notify AMBAC Indemnity of any failure of the Issuer to provide relevant notices, certificates, etc.

The Issuer will permit AMBAC Indemnity to discuss the affairs, finances and accounts of the Issuer or any information AMBAC Indemnity may reasonably request regarding the security for the Series 1994 Bonds with appropriate officers of the Issuer. The Issuer will permit AMBAC Indemnity to have access to and to make copies of all books and records relating to the Series 1994 Bonds at any reasonable time.

AMBAC Indemnity shall have the right to direct an accounting at the Issuer's expense, and the Issuer's failure to comply with such direction within 30 days after receipt of written notice of the direction from AMBAC Indemnity shall be deemed an Event of Default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 1994 Bonds.

Notwithstanding any other provision of this Resolution, the Issuer shall immediately notify AMBAC Indemnity if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default.

F. Payment Procedure Pursuant to Municipal Bond Insurance Policy. As long as the Municipal Bond Insurance Policy shall be in full force and effect, the Issuer and any Paying Agent agree to comply with the following provisions:

(i) At least one (1) day prior to all Interest Payment Dates, the Paying Agent shall determine whether there will be sufficient funds in the funds and accounts established pursuant to this Resolution to pay the principal of and interest on the Series 1994 Bonds on such Interest Payment Date. If the Paying Agent determines that there will be insufficient funds in the funds and accounts to pay the principal of and/or interest on the Series 1994 Bonds on such Interest Payment Date, the Paying Agent shall so notify AMBAC Indemnity. Such notice shall specify the amount of the anticipated deficiency, the Series 1994 Bonds to which such deficiency is applicable and whether such Series 1994 Bonds will be deficient as to principal or interest, or both. If the Paying Agent has not so notified AMBAC Indemnity at least one (1) day prior to an Interest Payment Date, AMBAC Indemnity will make payments of

principal and/or interest due on the Series 1994 Bonds on or before the first (1st) day next following the date on which AMBAC Indemnity shall have received notice of nonpayment from the Paying Agent.

(ii) The Paying Agent shall, after giving notice to AMBAC Indemnity as provided in (i) above, make available to AMBAC Indemnity and, at AMBAC Indemnity's direction, to the United States Trust Company of New York, as insurance trustee for AMBAC Indemnity or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Paying Agent and all records relating to the funds and accounts maintained under this Resolution.

(iii) The Paying Agent shall provide AMBAC Indemnity and the Insurance Trustee with a list of registered owners of Series 1994 Bonds entitled to receive principal or interest payments from AMBAC Indemnity under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (a) to mail checks or drafts to the registered owners of Series 1994 Bonds entitled to receive full or partial interest payments from the Insurer and (b) to pay principal upon Series 1994 Bonds surrendered to the Insurance Trustee by the registered owners of Series 1994 Bonds entitled to receive full or partial principal payments from AMBAC Indemnity.

(iv) The Paying Agent shall, at the time it provides notice to AMBAC Indemnity pursuant to (i) above, notify registered owners of Series 1994 Bonds entitled to receive the payment of principal or interest thereon from AMBAC Indemnity (a) as to the fact of such entitlement, (b) that AMBAC Indemnity will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (c) that should they be entitled to receive full payment of principal from AMBAC Indemnity, they must surrender their Series 1994 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 1994 Bonds to be registered in the name of AMBAC Indemnity) for payment to the Insurance Trustee, and not the Paying Agent, and (d) that should they be entitled to receive partial payment of principal from AMBAC Indemnity, they must surrender their Series 1994 Bonds for payment thereon first to the Paying Agent, who shall note on such Series 1994 Bonds the portion of the principal paid by the Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(v) In the event that the Paying Agent has notice that any payment of principal of or interest on a Series 1993 Bond which has become Due for Payment (as defined in the Municipal Bond Insurance Policy) and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore

recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time AMBAC Indemnity is notified pursuant to (i) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to AMBAC Indemnity its records evidencing the payments of principal of and interest on the Series 1994 Bonds which have been made by the Paying Agent, and subsequently recovered from registered owners and the dates on which such payments were made.

(vi) In addition to those rights granted AMBAC Indemnity under this Resolution, AMBAC Indemnity shall, to the extent it makes payment of principal of or interest on the Series 1994 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (a) in the case of subrogation as to claims for past due interest, the Paying Agent shall note AMBAC Indemnity's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon receipt from AMBAC Indemnity of proof of the payment of interest thereon to the registered owners of the Series 1994 Bonds, and (b) in the case of subrogation as to claims for past due principal, the Paying Agent shall note AMBAC Indemnity's rights as subrogee on the registration books of the Issuer maintained by the Paying Agent upon surrender of the Series 1994 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

G. AMBAC Indemnity as Third Party Beneficiary. To the extent this Resolution confers upon or gives or grants to AMBAC Indemnity any right, remedy or claim under or by reason of this Resolution, AMBAC Indemnity is hereby explicitly recognized as being a third-party beneficiary hereunder, and may enforce any such right, remedy or claim conferred, given or granted hereunder.

H. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Issuer, the Registrar and Paying Agent, AMBAC Indemnity and the registered owners of the Series 1994 Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar and Paying Agent, AMBAC Indemnity and the registered owners of the Series 1994 Bonds.

Section 6.19 Small Issuer Exemption from Bank Nondeductibility Restriction. The Issuer hereby designates the Series 1994 Bonds for purposes of paragraph (3) of Section 265(b) of the Code and covenants that the Series 1994 Bonds do not constitute private activity bonds as defined in Section 141 of the Code and determined

in accordance with Section 265(b)(3) of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for Federal income taxes (excluding, however, private activity bonds, as determined in accordance with the Code), including the Series 1994 Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 1994, all as determined in accordance with the Code. For purposes of this paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as defined and set forth in the Code, availed of) to avoid the purposes of such Section 265(b)(3) of the Code and all entities benefiting thereby shall be treated as one issuer. The Series 1994 Bonds are not part of a composite issue.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions relating to the Bonds on its part in this Resolution or any Supplemental Resolution or in the Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) 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 Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution with respect to the Bonds or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto. All rights and remedies of the Holders of the Bonds shall be for the equal benefit of the Holders of the Bonds.

Section 7.03. Acceleration. If an Event of Default has occurred and is continuing, the Holders of not less than 25% in aggregate principal amount of any series of Bonds then Outstanding may, but only with the written consent of the Bond Insurer, so long as such Bond Insurer is not in default under the Municipal Bond Insurance Policy, by immediate notice in writing from such Holders or from the Registrar on behalf of such Holders to the Issuer and the Paying Agent, declare the principal of all Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in this Resolution or in the Bonds to the contrary notwithstanding.

Section 7.04. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts established and continued as provided herein and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts 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 Resolution 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 Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, her or it shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver 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 the Holders of the Bonds issued pursuant to this Resolution; provided, however, that such receiver shall hold and operate the System for the equal benefit of the Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any Event of Default with respect to the provisions of this Resolution, 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, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.05. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR; PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 1994 Bonds shall be appointed pursuant to the Supplemental Resolution. The Chairman of the Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication and Registration on the Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds Outstanding.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The Registrar shall also serve as the Paying Agent. The Registrar's acceptance of the duties and responsibilities of the Registrar expressed in Section 8.02 shall also include the trusts and the duties of Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from moneys available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All moneys received by the Paying Agents shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

Section 8.13. Bond Insurer Control of Registrar and Paying Agent.

(i) Notwithstanding the foregoing, so long as AMBAC Indemnity insures any of the Series 1994 Bonds, the Registrar and Paying Agent may be removed at any time, at the request of AMBAC Indemnity, for any breach of its obligations set forth herein;

(ii) AMBAC Indemnity shall receive prior written notice of resignation of any Registrar or Paying Agent;

(iii) Every successor Registrar or Paying Agent appointed pursuant to this Article VIII shall be a trust company or bank in good standing located in or incorporated under the laws of a state, duly authorized to exercise trust powers and subject to examination by Federal or state authority, having a reported capital and surplus of not less than $7,000,000 and acceptable to AMBAC Indemnity. Any successor Paying Agent, if applicable, shall not be appointed unless AMBAC Indemnity approves such successor in writing;

(iv) Notwithstanding any other provision of this Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Registrar or Paying Agent shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy; and

(v) Notwithstanding any other provision of this Resolution, no removal, resignation or termination of the Registrar or Paying Agent shall take effect until a successor, acceptable to AMBAC Indemnity, shall be appointed.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be otherwise be necessary to assure the continued exclusion of the interest on the Series 1994 Bonds from gross income for Federal income tax purposes.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee as its agent either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time and available therefor, shall be sufficient to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said redemption date. Neither securities nor moneys deposited with the Bond Commission or such escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or such escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or redemption dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or such escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations or those Qualified Investments permitted under Section 1.01 hereof to be used for such purpose.

Section 9.02. Series 1994 Bonds to Remain Outstanding if Paid by Bond Insurer. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 1994 Bonds shall be paid by AMBAC Indemnity pursuant to the Municipal Bond Insurance Policy, the Series 1994 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the pledge of Net Revenues and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of AMBAC Indemnity, subject to the terms hereof, and AMBAC Indemnity shall be subrogated to the rights of such registered owners.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Resolution and Supplemental Resolution. This Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate of Excess Investment Earnings to the United States or otherwise as may be necessary to assure exemption from Federal income taxation of interest on the Series 1994 Bonds, provided that, in the event any of the Bonds are insured by AMBAC Indemnity, no such amendment or modification which adversely affects the security for such Bonds or the rights of AMBAC Indemnity may be effected without the written consent of AMBAC Indemnity. Otherwise, no materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Bonds then Outstanding and affected thereby, which must be filed with the Governing Body of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor affect the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged or reduce the percentage of Bonds required for consent to any such modification or amendment. No change, variation or alteration of any kind of the provisions of this Resolution shall be made in any manner, except as in this Resolution provided.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his, her or its attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgements of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or

corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Registrar.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Bonds purchased or paid shall, if surrendered to the Issuer, be cancelled and delivered to the Registrar, or, if surrendered to the Registrar, be cancelled by it. No such Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any moneys held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall

send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

Berkeley County Public Service District
Post Office Box 700
Bunker Hill, West Virginia 25413
Attention: General Manager

REGISTRAR AND PAYING AGENT

Bank One, West Virginia, N.A.
Capitol and Virginia Streets
Charleston, West Virginia 25324
Attention: Corporate Trust Department

DEPOSITORY BANK

F & M Bank - Martinsburg
131 South Queen Street
Box 928
Martinsburg, West Virginia 25401-0928
Attention: Chief Executive Officer

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
100 Light Street, Eighth Floor
Baltimore, Maryland 21202
Attention: Public Finance Department

BOND INSURER

AMBAC Indemnity Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Governing Body or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Bonds, the Original Purchaser and the Bond Insurer.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution or the Supplemental Resolution.

Section 10.11. Table of Contents and Headings. The Table of Contents, headings and catchlines of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Resolution Constitutes Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the Holders of the Bonds, and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 10.13. Conflicting Provisions Repealed. All orders, resolutions 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 Resolution and the Series 1993 A Bonds Resolution, the Series 1993 A Bonds Resolution shall control (unless less restrictive) so long as the Series 1993 A Bonds or any portion thereof are outstanding.

Section 10.14. 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, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.15. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 13th day of October, 1994.

Ruby S. Kern

Chairman, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution adopted by the Public Service Board of Berkeley County Public Service District on this 13th day of October, 1994, at a special meeting after the giving of the required public notice and at which a quorum was present and acting throughout, and which resolution has not been modified, amended, revoked or otherwise altered (except as set forth in the Supplemental Resolution, described herein and adopted concurrently herewith) as of the date hereof.

Dated this 27th day of October, 1994.

Secretary, Public Service Board

10/24/94
BCWJ.A6
067740/94001

EXHIBIT A - BOND FORM

[FORM OF FRONT OF BOND]

STATEMENT OF INSURANCE

Municipal Bond Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by AMBAC Indemnity Corporation ("AMBAC Indemnity"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from AMBAC Indemnity or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AMBAC Indemnity as more fully set forth in the Policy.

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
WATER REVENUE BOND,
SERIES 1994

No. R-____ $_____

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision duly organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as

hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1 of each year, beginning March 1, 1995 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of the series of which this Bond is one.

This Bond, under the provisions of the Act (hereinafter defined) is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Resolution.

This Bond is exempt from all taxation by the State of West Virginia, and the other taxing bodies of said State.

This Bond shall not be entitled to any benefit under the Resolution, as defined on the reverse hereof, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

The Registrar shall not be obliged to make any transfer or exchange of Bonds that have been called for redemption. The Issuer has caused CUSIP numbers to be printed on the Bonds, and has directed the Registrar to use such numbers in certain notices, if any,

as a convenience to Bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice.

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

IN WITNESS WHEREOF, BERKELEY COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

(Facsimile Signature)_____
Chairman

ATTEST:

(Facsimile Signature)_____
Secretary

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Bond is one of the Series 1994 Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Imprinted on the reverse hereof is the complete text of the opinion of Steptoe & Johnson, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Date of Authentication: _____, _____.

BANK ONE, WEST VIRGINIA, N.A.,
as Registrar

By _____
Its Authorized Officer

[FORM OF REVERSE OF BOND]

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by Bank One, West Virginia, N.A., Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by Bank One, West Virginia, N.A., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by such Registered Owner at least five days prior to such Interest Payment Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,275,000 designated "Berkeley County Public Service District (West Virginia) Water Revenue Bonds, Series 1994" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 1994, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, to finance the costs of acquisition and construction of additions, betterments and improvements for the public waterworks system of the Issuer (the "Project"), to fund a debt service reserve account for the Bonds and to pay costs of issuance of the Bonds. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution and supplemental resolution duly adopted by the governing body of the Issuer on October 13, 1994 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Secretary of the Issuer in the City of Martinsburg, West Virginia.

THE BONDS ARE ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE WATER REFUNDING REVENUE BONDS, SERIES 1993 A, OF THE ISSUER, DATED MARCH 1, 1993, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,350,000 (THE "SERIES 1993 A BONDS").

This Bond is additionally secured, but only to the extent described in the Statement of Insurance printed hereon, by a policy of municipal bond insurance issued by AMBAC Indemnity Corporation.

Optional Redemption. The Bonds maturing on or after September 1, 2005, are subject to redemption prior to maturity at the option of the Issuer on and after September 1, 2004, in whole at any time or in part on any Interest Payment Date at the following redemption prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Redemption Periods (Both Dates Inclusive)	Redemption Price
September 1, 2004 through August 31, 2005	102%
September 1, 2005 through August 31, 2006	101
September 1, 2006 and thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing September 1, 2014, and September 1, 2019 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturity in part by random selection as may be determined by the Registrar, on September 1 of the years and in accordance with the following mandatory redemption schedule, at a redemption price equal to the principal amount thereof plus interest accrued to the date fixed for redemption, without premium:

Series 1994 Bonds Maturing September 1, 2014

Year (September 1)	Amount
2011	$105,000
2012	110,000
2013	115,000
2014	125,000*

Series 1994 Bonds Maturing September 1, 2019

Year (September 1)	Amount
2015	$130,000
2016	140,000
2017	145,000
2018	155,000
2019	165,000*

*Final Maturity

In the event of any redemption of less than all outstanding Bonds, maturities shall be selected by the Issuer and Bonds within a maturity shall be selected by lot or in such other manner deemed appropriate by the Registrar. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and maturity dates. Notice of the call for any redemption, unless waived by the Registered Owner, shall be given by the Registrar, by mailing a redemption notice, by registered or certified mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of any Bond or portions of Bonds to be redeemed in whole or in part at the address shown on the registration books of the Issuer maintained by the Registrar, for registration and transfer of the Bonds under the Resolution, and as otherwise prescribed in the Resolution; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds.

The Bonds and the interest thereon are payable only from and are secured by the Net Revenues to be derived with respect to the System and all moneys in the Series 1994 Bonds Sinking Fund established under the Resolution (including the Series 1994 Bonds Reserve Account therein) and the Revenue Fund, on a parity in all respects with the Series 1993 A Bonds herein described, and the unexpended proceeds of the Bonds, and the Issuer hereby and in the Resolution pledges such revenues and moneys to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued by the Issuer pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make certain other payments required by the Resolution. This Bond does not constitute a corporate indebtedness of the Issuer within any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, and the moneys in the Series 1994 Bonds Sinking Fund and the Revenue Fund, and the unexpended Bond proceeds, if any. Under the Resolution, the Issuer has covenanted and agreed to fix, establish and collect just and equitable rates and charges for the use of the services and facilities of the System and to revise the same from time to time as will always be sufficient to pay all operating expenses of the System and to produce

revenues net of such operating expenses equal to at least 115% of the maximum annual amount required to pay the interest and principal as the same become due and accomplish retirement of the Series 1993 A Bonds, the Series 1994 Bonds and any additional bonds issued on a parity therewith, and to make any required payments into the respective Reserve Accounts. Such required payments on behalf of the principal of and interest on the Bonds shall constitute a first charge upon all the Net Revenues of the System, on a parity with the Series 1993 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Bonds, for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

All moneys received from the sale of the Bonds, except for accrued interest thereon, shall be applied solely to pay costs of acquisition and construction of the Project, create a reserve for the Bonds and pay costs and expenses in connection therewith, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owners of said Bonds.

The holder of this Bond shall have no right to enforce the provisions of the Resolution or to institute an action to enforce the covenants thereof, or to take any action with respect to a default hereof, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Resolution.

Additional Bonds may be issued under the Resolution, and reference is made to the Resolution with respect to the requirements for the issuance of additional Bonds which shall be equally and ratably secured under the Resolution with the Bonds.

Modifications or amendments of the Resolution may be made to the extent and in the circumstances permitted by the Resolution to which reference is hereby made.

This Bond must be registered in accordance with the provisions hereof, and may, singly or with other Bonds of this issue, be surrendered to the Registrar and exchanged for other fully registered bonds, upon the terms set forth in the Indenture. Neither the Issuer nor the Registrar shall be required to register or transfer this Bond or exchange other Bonds for this bond during the period beginning on a Record Date and ending on an Interest Payment Date.

This Bond is hereby and in the Resolution designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

BERKELEY COUNTY PUBLIC SERVICE DISTRICT

(West Virginia)

$2,275,000 Water Revenue Bonds, Series 1994

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1994, OF BERKELEY COUNTY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE CONTRACT, A REGISTRAR AND PAYING AGENT AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, Berkeley County Public Service District (the "Issuer"), in the County of Berkeley, State of West Virginia, is a public service district and a public corporation and political subdivision of said State, the governing body of which is its public service board (the "Board");

WHEREAS, the Board duly adopted on October 13, 1994, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING PUBLIC WATERWORKS SYSTEM OF BERKELEY COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT, OF ITS WATER REVENUE BONDS, SERIES 1994, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,275,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH PURPOSE, TO FUND A RESERVE FOR THE BONDS AND TO PAY COSTS AND EXPENSES IN CONNECTION WITH THE ISSUANCE OF SUCH BONDS; PROVIDING FOR THE

RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, such Resolution provided for the issuance of the Issuer's Water Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), in an aggregate principal amount not to exceed $2,275,000, the proceeds of which are to be used, together with other funds of the Issuer for the purposes of financing, acquisition and construction of certain additions, betterments and improvements for the public waterworks system of the Issuer, funding a debt service reserve account for the Series 1994 Bonds and paying costs of issuance thereof, all as set forth and described therein, in accordance with Chapter 16, Article 13A, of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution provided that the exact principal amount of the Series 1994 Bonds to be sold and the maturities, interest rates, redemption provisions and the price of the Series 1994 Bonds should be established, that a Paying Agent, Registrar and Depository Bank be designated and that other matters pertaining to the Series 1994 Bonds be provided for by a supplemental resolution of this Board upon receipt of a Bond Purchase Contract acceptable to this Board;

WHEREAS, the Series 1994 Bonds are proposed to be purchased by Ferris, Baker Watts, Incorporated (the "Original Purchaser"), pursuant to a Bond Purchase Contract dated the date of adoption hereof (the "Purchase Contract");

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution; and

WHEREAS, the Board deems it essential and desirable that this Supplemental Resolution be adopted and that the Purchase Contract and the Registrar and Paying Agent Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 1994 Bonds, hereinafter described, be approved, that the prices of the Series 1994 Bonds, the maturity dates and amounts, the redemption provisions, the interest rates, and the exact principal amount of the Series 1994 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1994 Bonds be herein provided for, all in accordance with said Resolution;

NOW, THEREFORE, THE PUBLIC SERVICE BOARD OF BERKELEY COUNTY PUBLIC SERVICE DISTRICT HEREBY RESOLVES:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 1994 Bonds in the aggregate principal amount of $2,275,000. The Series 1994 Bonds shall be dated September 1, 1994, upon original issuance, shall bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 1995, and shall mature on September 1 in years as follows:

Maturity (Sept. 1)	Amount	Interest Rate	Maturity (Sept. 1)	Amount	Interest Rate
1995	$45,000	3.90%	2004	$70,000	5.30%
1996	50,000	4.25	2005	75,000	5.40
1997	50,000	4.45	2006	80,000	5.50
1998	55,000	4.60	2007	80,000	5.70
1999	55,000	4.75	2008	85,000	5.80
2000	60,000	4.90	2009	90,000	5.90
2001	60,000	5.00	2010	100,000	6.00
2002	65,000	5.10	2014	455,000	6.20
2003	65,000	5.20	2019	735,000	6.25

Section 2. The Series 1994 Bonds maturing on or after September 1, 2004, shall be redeemable prior to their stated dates of maturity at the option of the Issuer on or after September 1, 2003, in whole at any time or in part on any interest payment date, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a maturity, at the respective redemption prices (expressed as percentages of the principal amounts to be redeemed) set forth below, plus interest accrued to the date fixed for redemption:

Redemption Period (Both Dates Inclusive)	Redemption Prices
September 1, 2003 through August 31, 2004	102%
September 1, 2004 through August 31, 2005	101
September 1, 2005 and thereafter	100

The Series 1994 Bonds maturing September 1, 2014, and September 1, 2019 (the "Term Bonds"), shall be subject to mandatory sinking fund redemption prior to maturity in part by random selection as may be determined by the Registrar, on September 1 of the years and in accordance with the following mandatory redemption

schedule, at a redemption price equal to the principal amount thereof plus interest accrued to the date fixed for redemption, without premium:

Series 1994 Bonds Maturing September 1, 2014

Year (September 1)	Amount
2011	$105,000
2012	110,000
2013	115,000
2014	125,000*

Series 1994 Bonds Maturing September 1, 2019

Year (September 1)	Amount
2015	$130,000
2016	140,000
2017	145,000
2018	155,000
2019	165,000*

*Final Maturity

The amounts accumulated for any sinking fund installment may be applied by the Paying Agent prior to the 45th day preceding the due date of such sinking fund installment to the purchase of Series 1994 Bonds subject to redemption at a price (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase. Upon any purchase of Series 1994 Bonds by application of moneys set aside to pay sinking fund installments, an amount equal to the principal amount thereof shall be credited toward the applicable sinking fund installment, and any principal amount of Series 1994 Bonds may be applied toward reduction of any applicable future sinking fund installments as the Issuer may designate.

All other provisions relating to the Series 1994 Bonds shall be as provided in the Resolution, and the Series 1994 Bonds shall be in substantially the form provided in the Resolution.

Section 3. The Purchase Contract between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman and the sealing and attestation by the Secretary of the Public Service Board on this day of the Purchase Contract on behalf of the Issuer are hereby authorized, approved and directed. The Chairman and Secretary shall execute and

deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Purchase Contract by the Chairman shall be conclusive evidence of any approval required by this Section. The price of the Series 1994 Bonds, pursuant to the Purchase Contract, shall be $2,207,274.95 ($2,275,000 par amount, less $22,950.05 original issue discount, less $44,775.00 Underwriter's Discount), plus interest accrued from the date of the Series 1994 Bonds to the date of delivery of the Series 1994 Bonds, expected to be on or about October 27, 1994.

Section 4. The Official Statement dated October 13, 1994, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated October 7, 1994 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 5. The Registrar and Paying Agent Agreement (the "Registrar's Agreement) to be dated the Closing Date, by and between the Issuer and the Registrar/Paying Agent designated herein, substantially in the form submitted to this meeting shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar's Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar's Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 6. The Issuer does hereby appoint and designate Bank One, West Virginia, N.A., Charleston, West Virginia, for the purpose of serving in the capacities of Registrar and Paying Agent, and F & M Bank - Martinsburg, Martinsburg, West Virginia, for the purpose of serving as Depository Bank.

Section 7. The firm of Steptoe & Johnson, Clarksburg, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1994 Bonds.

Section 8. The Issuer and all subordinate entities do not reasonably expect to issue more than $10,000,000 of tax-exempt obligations during the calendar year 1994 and hereby designates the Bonds as "qualified tax-exempt obligations," as defined in Section 265(b)(3)(B) of the Code.

Section 9. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 1994 Bonds, hereby and by the Resolution approved and provided for.

Section 10. Under the provisions of the Act, and as provided in the Resolution and the Series 1994 Bonds, the Series 1994 Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Net Revenues derived from the operation of the waterworks system of the Issuer and the moneys in the Sinking Fund (including, the Reserve Account therein) established by the Resolution and the credit of the Issuer is not pledged for, and no tax shall ever be levied for, payment of the Bonds and the interest thereon.

Section 11. The Chairman, Secretary and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all actions necessary to cause the Series 1994 Bonds to be insured by AMBAC Indemnity Corporation or such other municipal bond insurance company as is acceptable to the Original Purchaser.

Section 12. All orders, ordinances or resolutions or parts thereof in conflict with the provisions of this Supplemental Resolution (excluding the Resolution) are, to the extent of such conflict, hereby repealed.

Section 13. This Supplemental Resolution shall be effective immediately.

Adopted this 13th day of October, 1994.

BERKELEY COUNTY PUBLIC SERVICE
DISTRICT

Ruby S Kern
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution adopted by the Public Service Board of Berkeley County Public Service District on this 13th day of October, 1994, at a special meeting after the giving of the required public notice and at which a quorum was present and acting throughout, and which Supplemental Resolution has not been modified, amended, revoked or otherwise altered as of the date hereof.

Dated this 27th day of October, 1994.

Secretary, Public Service Board

10/20/94
BCWJ.B3
067740/94001

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

SEVENTH FLOOR, BANK ONE CENTER
P. O. BOX 1588
CHARLESTON, W. VA. 25326-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25401-3429
(304) 263-6991
FACSIMILE (304) 263-4785

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 725-1414
FACSIMILE (304) 725-1913

THE BRYAN CENTRE
P. O. BOX 570
82 WEST WASHINGTON STREET, FOURTH FLOOR
HAGERSTOWN, MARYLAND 21740-0570
(301) 739-8600
FACSIMILE (301) 739-8742

FOURTH FLOOR - RILEY BUILDING
14TH AND CHAPLINE STREETS
P. O. BOX 150
WHEELING, W. VA. 26003-0020
(304) 233-0000
FACSIMILE (304) 233-0014

WRITER'S DIRECT DIAL NUMBER

October 27, 1994

Berkeley County Public Service District
(West Virginia)
$2,275,000 Water Revenue Bonds, Series 1994

Berkeley County Public Service District
Bunker Hill, West Virginia

Ferris, Baker Watts, Incorporated
Baltimore, Maryland

AMBAC Indemnity Corporation
New York, New York

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Berkeley County Public Service District (the "Issuer") of its $2,275,000 aggregate principal amount of Water Revenue Bonds, Series 1994 (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on October 13, 1994, as supplemented by a Supplemental Resolution also duly adopted by the Issuer on October 13, 1994 (said Bond Resolution, as so supplemented, herein called the "Resolution") and are subject to all the terms and conditions of the Resolution.

The Bonds are issued in fully registered form, are dated September 1, 1994, upon original issuance, mature on September 1 in years and amounts and bear interest payable each March 1 and September 1, commencing March 1, 1995, as follows:

Maturity (Sept. 1)	Amount	Interest Rate	Maturity (Sept. 1)	Amount	Interest Rate
1995	$45,000	3.90%	2004	$70,000	5.30%
1996	50,000	4.25	2005	75,000	5.40
1997	50,000	4.45	2006	80,000	5.50
1998	55,000	4.60	2007	80,000	5.70
1999	55,000	4.75	2008	85,000	5.80
2000	60,000	4.90	2009	90,000	5.90
2001	60,000	5.00	2010	100,000	6.00
2002	65,000	5.10	2014	455,000	6.20
2003	65,000	5.20	2019	735,000	6.25

The Bonds maturing on and after September 1, 2005, are redeemable prior to their stated dates of maturity at the option of the Issuer, on or after September 1, 2004, in whole at any time or in part on any interest payment date, in such order of maturity as shall be designated to the Registrar by the Issuer and by lot within a maturity, at the redemption prices (expressed as percentages of principal amounts to be redeemed), plus interest accrued to the date fixed for redemption, as provided in the Resolution. The Bonds maturing on September 1, 2014 and September 1, 2019 are also subject to mandatory sinking fund redemption as provided in the Resolution.

The Resolution provides that the Bonds are issued for the purposes of providing funds, together with other moneys of the Issuer, (i) to pay costs of acquisition and construction of additions, betterments and improvements for the existing public waterworks system of the Issuer (the "Project"), (ii) to fund a reserve account for the Bonds, and (iii) to pay costs of issuance of the Bonds, all as set forth and described in the Resolution.

The Bonds have been sold to Ferris, Baker Watts, Incorporated (the "Purchaser") pursuant to a Bond Purchase Contract dated October 13, 1994, and accepted by the Issuer (the "Purchase Contract").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and others contained in the Resolution and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants and agreements of the Issuer and others pertaining to tax matters set forth in the Resolution and certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing public corporation and political subdivision of the State of West Virginia under and pursuant to the Constitution and laws of such State and has full legal right, power and authority to adopt the Resolution, enter into the Purchase Contract, perform its obligations under the terms and provisions thereof, issue and sell the Bonds, acquire and construct the Project, and own and operate its waterworks system (the "System").

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Contract and has issued and delivered

the Bonds to the Purchaser pursuant to the Purchase Contract. The Resolution is in full force and effect as of the date hereof and constitutes a valid and binding obligation of the Issuer, enforceable in accordance with its terms.

3. Assuming due authorization, execution and delivery by the Purchaser, the Purchase Contract constitutes the valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the Act.

4. The Bonds constitute valid and legally binding special obligations of the Issuer, payable solely from and secured by a first lien on and pledge of the net revenues derived from the operation of the System and moneys in the Sinking Fund created under the Resolution (including the Reserve Account therein) on a parity with the Issuer's outstanding Water Refunding Revenue Bonds, Series 1993 A, dated March 1, 1993 (the "Prior Bonds"). The Bonds are enforceable in accordance with their terms and the terms of the Resolution.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to the owners of the Bonds) (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences except as set forth in paragraph 7 below. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution and the certificate relating to arbitrage. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds.

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

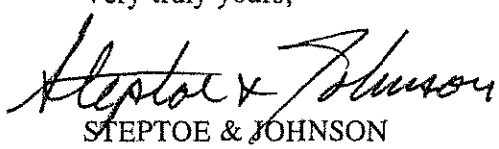
7. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code and has covenanted that it does not reasonably expect to issue, together with subordinate entities, more than $10,000,000 of tax-exempt obligations (other than private activity bonds)

during the calendar year 1994. Therefore, the Bonds are "qualified tax-exempt obligations," and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations does not apply to the Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds is deductible for federal income tax purposes.

8. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution and the Purchase Contract are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,



STEPTOE & JOHNSON

10/24/94
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HEDGESVILLE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

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HEDGESVILLE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN SIX HUNDRED THOUSAND DOLLARS ($600,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A AND NOT MORE THAN FIFTY THOUSAND DOLLARS ($50,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF HEDGESVILLE 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 "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. Hedgesville Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Berkeley County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including

the extensions, additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing waterworks system, the Project and any further additions thereto or extensions thereof is herein called the "System") in accordance with the plans and specifications prepared by Kelley Gidley Blair & Wolfe, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein and in the Prior Resolution, all as such terms are hereinafter defined.

D. It is further deemed necessary for the Issuer to issue its Original Bonds in the total aggregate principal amount of not more than $650,000, in two series, being the Series 1993 A Bonds in the aggregate principal amount of not more than $600,000 and the Series 1993 B Bonds in the aggregate principal amount of not more than $50,000 (collectively, the "Original Bonds") to finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1993 A Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interest of the Issuer that its Original Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement to be entered into between the

Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by a supplemental resolution.

G. There are outstanding obligations of the Issuer which will rank either senior and prior to or on parity with the Bonds as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Bonds, as follows:

Designation	Lien Position
Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000 (the "Series 1976 Bond")	First Lien
Water Revenue Bonds, Series 1993 A (the "Series 1993 A Bonds")	First Lien
Water Revenue Bonds, Series 1993 B (the "Series 1993 B Bonds")	Second Lien

The Series 1993 A Bonds shall be issued on parity with the Series 1976 Bond and senior and prior to the Series 1993 B Bonds with respect to liens, pledges, and sources of and security for payment and in all other respects. The Series 1993 B Bonds shall be issued junior and subordinate to the Series 1976 Bond and the Series 1993 A Bonds with respect to liens, pledges and sources of and security for payment and in all other respects.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System and issuance of the Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity, when applicable, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Bonds or has been waived by all necessary parties.

I. The Issuer has received the written consent of the United States of America, Farmers Home Administration, United States Department of Agriculture, as the sole holder of the Series 1976 Bond, to the issuance of the Original Bonds with lien positions with respect to the Series 1976 Bond as set forth in paragraph G of this Section 1.02 and waiving certain other requirements of the Prior Resolution.

J. The purpose of the Project is to connect the Issuer's water system with that of the neighboring Opequon Public

Service District ("Opequon") to allow the Issuer to purchase water from Opequon in order to meet current water requirements during high demand periods and to provide availability to serve future customers of the Issuer. In connection therewith, the Issuer has entered into a Water Service and Construction Agreement dated October 15, 1992, with Opequon, a copy of which is attached hereto as Exhibit B and which Agreement has been approved by the Public Service Commission of West Virginia.

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

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

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is expected to be the original purchaser of the Original Bonds, provided that the Issuer must satisfy the legal and other requirements of the Program.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 4.01 hereof.

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

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

"Bond Year" means each one-year period (or shorter period from the date of issuance of the Bonds) that ends at the close of business on October 1.

"Bonds" means the Original Bonds, the Series 1976 Bond and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"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 Kelley Gidley Blair & Wolfe, Inc., or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Event of Default" means any occurrence or event specified in Section 9.01.

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

"FmHA" means the United States of America, Farmers Home Administration, United States Department of Agriculture, and any successor to the functions of the same.

"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.

"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 Section 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Investment Property" shall mean any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code, obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Hedgesville Public Service District, in Berkeley County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms 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 1993 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1993 A Bonds Reserve Account, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1993 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Original Bonds and is not acquired in order to carry out the governmental purpose of the Original Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation 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, Registrar and Paying Agent (all as herein defined), payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $600,000 in aggregate principal amount of Series 1993 A Bonds and the not more than $50,000 in aggregate principal amount of Series 1993 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof.

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series 1976 Bond.

"Prior Resolution" means the resolution of the Issuer adopted October 21, 1976, as amended by the Issuer on January 17, 1978, authorizing the Series 1976 Bond.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

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

"Registrar" means the Bond Registrar.

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

"Reserve Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Revenue Fund" means the Hedgesville Public Service District Revenue Fund established by the Prior Resolution and continued by Section 4.01 hereof.

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

"Series 1993 A Bonds" or "Series A Bonds" means the not more than $600,000 in aggregate principal amount of Water Revenue Bonds, Series 1993 A, of the Issuer.

"Series 1993 A Bonds Reserve Account" means the Series 1993 A Bonds Reserve Account established in the Series 1993 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 1993 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1993 A Bonds in the then current or any succeeding year.

"Series 1993 A Bonds Sinking Fund" means the Series 1993 A Bonds Sinking Fund established by Section 4.02 hereof.

"Series 1993 B Bonds" or "Series B Bonds" means the not more than $50,000 in aggregate principal amount of Water Revenue Bonds, Series 1993 B, of the Issuer.

"Series 1993 B Bonds Reserve Account" means the Series 1993 B Bonds Reserve Account established in the Series 1993 B Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 1993 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1993 B Bonds in the then current or any succeeding year.

"Series 1993 B Bonds Sinking Fund" means the Series 1993 B Bonds Sinking Fund established by Section 4.02 hereof.

"Series 1976 Bond" means the Issuer's Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000 of which approximately $505,466 is currently Outstanding.

"Series 1976 Bond Replacement Fund" means the Replacement Fund established by the Prior Resolution and continued by Section 4.01 hereof.

"Series 1976 Bond Reserve Fund" means the Reserve Fund (for the Prior Bonds) established by the Prior Resolution and continued by Section 4.01 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance 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 Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, as further defined in Section 4.03(B) hereof.

"System" means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $549,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1993 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Original Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $650,000. Said Original Bonds shall be issued in two series, to be designated respectively, "Water Revenue Bonds, Series 1993 A," in the aggregate principal amount of not more than $600,000, and "Water Revenue Bonds, Series 1993 B," in the aggregate principal amount of not more than $50,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Bonds remaining after the funding of the Reserve Accounts (if funded from the Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal

installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Bonds 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 any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

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

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness

of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of all the Series 1993 A Bonds shall be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, senior and prior to the lien on Net Revenues in favor of the Holders of the Series 1993 B Bonds, and on parity with the lien on Net Revenues in favor of the holder of the Series 1976 Bond. The payment of the debt service of all the Series 1993 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1993 A Bonds and the Series 1976 Bond. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein, and the Renewal and Replacement Fund, either existing or hereinafter established, and the funds pledged under the Prior Resolution are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof;

[Form of Series 1993 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND,
SERIES 1993 A

No. AR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That HEDGESVILLE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Berkeley 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 ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1993. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 1993.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of

issuance hereof and related costs. The existing waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 1993 and a Supplemental Resolution duly adopted by the Issuer on _____, 1993 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUERS'S WATER REVENUE BOND, SERIES 1976, DATED JANUARY 17, 1978, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $620,000 (THE "SERIES 1976 BOND").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1993 B, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1993 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on parity with the pledge of Net Revenues in favor of the holder of the Series 1976 Bond, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1993 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1993 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1993 A Bonds Reserve Account and unexpended proceeds of the Bonds and the Series 1993 B Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the

Bonds, the Series 1993 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1993 B Bonds, including the Series 1976 Bond, provided however, that so long as there exists in the Series 1993 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1993 B Bonds and any other obligations Outstanding prior to or on a parity with the Bonds or the Series 1993 B Bonds, including the Series 1976 Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, HEDGESVILLE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 19_____.

HEDGESVILLE PUBLIC SERVICE DISTRICT

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1993 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By_____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, 19_____.

_____

In the presence of:

_____

[Form of Series 1993 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND,
SERIES 1993 B

No. BR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That HEDGESVILLE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Berkeley 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 ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 1993.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the

Issuer on _____, 1993 and a Supplemental Resolution duly adopted by the Issuer on _____, 1993 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING WATER REVENUE BONDS OF THE ISSUER AS FOLLOWS: (i) WATER REVENUE BONDS, SERIES 1993 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1993 A BONDS"); AND (ii) WATER REVENUE BOND, SERIES 1976, DATED JANUARY 17, 1978, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $620,000 (THE "SERIES 1976 BOND").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1976 Bond and the Series 1993 A Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1993 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1993 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1976 Bond, the Series 1993 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity therewith, provided however, that so long as there exists in the Series 1993 B Bonds Reserve Account and the reserve account established for the Series 1993 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1993 A Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Date: _____, 19_____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Original Bonds 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 in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.11. "Amended Schedule A" Filing; Tender of Series 1993 Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1993 B Bonds to the Issuer for payment in an amount equal to such excess.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01.

A. Establishment of Funds and Accounts with Depository Bank and Reserve Bank. The following special funds or accounts are created (or continued if previously established by the Prior Resolution) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

1. Revenue Fund (established by the Prior Resolution);

2. Operation and Maintenance Fund (established by the Prior Resolution);

3. Series 1976 Bond Replacement Fund (established by the Prior Resolution);

4. Renewal and Replacement Fund;

5. Bond Construction Trust Fund; and

6. Rebate Fund.

B. The Series 1976 Bond Reserve Fund established by the Prior Resolution is hereby continued with and shall be held by the Reserve Bank separate and apart from all other funds or accounts of the Reserve Bank.

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

1. Series 1993 A Bonds Sinking Fund;

(a) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account.

2. Series 1993 B Bonds Sinking Fund;

(a) Within the Series 1993 B Bonds Sinking Fund, the Series 1993 B Bonds Reserve Account.

Section 4.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other

funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

1. The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount determined by the Governing Body in accordance with its budget, to be necessary and sufficient to pay current Operating Expenses.

2. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and pay to the office and place designated in the Prior Bonds the amounts required by the Prior Resolution for payment of principal of and interest on the Prior Bonds and simultaneously (i) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1993 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1993 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1993 A Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1993 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and simultaneously (ii) on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1993 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1993 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date. In the event moneys in the Revenue Fund are insufficient to make all the payments in this subsection 2., then the Issuer shall make pro rata payments on the Prior Bonds and the Series 1993 A Bonds, based upon the respective principal amounts then Outstanding.

3. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and deposit with the Reserve Bank in the Series 1976 Bond Reserve Fund the amounts required by the Prior Resolution to be deposited therein and on the first day of each month, commencing the month following the completion of the Project, if not fully funded upon issuance of the Series 1993 A Bonds, simultaneously apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A

Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1993 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1993 A Bonds Reserve Requirement.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Series 1976 Bond Replacement Fund the amounts required by the Prior Resolution to be deposited therein and on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account, provided, however, the foregoing amount required to be deposited in the Renewal and Replacement Fund shall be reduced by the amount of any deposit into the Series 1976 Bond Replacement Fund during such month. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1993 A Bonds Reserve Account or the Series 1993 B Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

5. The Issuer shall next on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1993 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1993 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

6. The Issuer shall next on the first day of each month, commencing the month following the completion of the Project, if not fully funded upon issuance of the Series 1993 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 B Bonds Reserve Requirement; provided that no further payments shall be made into the Series 1993 B Bonds Reserve Account when there shall

have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1993 B Bonds Reserve Requirement.

Moneys in the Series 1993 A Bonds Sinking Fund and the Series 1993 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1993 A Bonds Reserve Account and the Series 1993 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Moneys in the Series 1976 Bond Reserve Fund and the Series 1976 Bond Replacement Fund shall only be used in accordance with the Prior Resolution.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Original Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1993 A Bonds Reserve Account which result in a reduction in the balance of the Series 1993 A Bonds Reserve Account to below the Series 1993 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Prior Bonds Sinking Fund for payment of debt service on the Prior Bonds and to the Series 1993 A Bonds Sinking Fund for payment of debt service on the Series 1993 A Bonds.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1993 B Bonds Reserve Account which result in a reduction in the balance of the Series 1993 B Bonds Reserve Account to below the Series 1993 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Prior Bonds Sinking Fund, Series 1993 A Bonds Sinking Fund, the Series 1976 Bond Reserve Fund, the Series 1993 A Bonds Reserve Account, the Series 1976 Bond Replacement Fund, the Renewal and Replacement Fund and the Series 1993 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in a amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1993 A Bonds Sinking Fund, or the Series 1993 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal and interest payments, and any payments made for the purpose of funding a deficiency in any Reserve Account, shall be made pro-rata with respect to the Prior Bonds and the Series 1993 A Bonds in accordance with the respective principal amounts then Outstanding, and thereafter shall be made with respect to the Series 1993 B Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

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

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

Except with respect to transfers to the Rebate Fund, the Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, the Sinking Fund established for the Prior Bonds, the Series 1976 Bond Reserve Fund, the Series 1976 Bond Replacement Fund, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Series 1976 Bond Reserve Fund, the Series 1976 Bond Replacement Fund, the Renewal and Replacement Fund and the Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1993 A Bonds, there shall first be deposited with the Commission in the Series 1993 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1993 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1993 A Bonds, there shall be deposited with the Commission in the Series 1993 A Bonds Reserve Account and from the proceeds of the Series 1993 B Bonds, there shall be deposited with the Commission in the Series 1993 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1993 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 5.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1993 A Bonds, and thereafter for the Series 1993 B Bonds.

Section 5.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 5.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

In any case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1993 A Bonds Reserve Account, and when fully funded to the Series 1993 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1993 B Bonds

to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1993 B Bonds.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid. Further, all the covenants, agreements and provisions of the Prior Resolution shall remain in full force and effect so long as any of the Prior Bonds remain Outstanding.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bond Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 1993 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, on parity with the lien on said Net Revenue in favor of the Holder of the Prior Bonds, and senior and prior to the lien on said Net Revenues in favor of the Holders of the Series 1993 B Bonds. Payment of the debt service of the Series 1993 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Prior Bonds and the Series 1993 A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 6.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System, a copy of which is attached hereto as

Exhibit C and incorporated herein, shall be as set forth and approved and described in the Recommended Decision entered February 23, 1993 by Susan Murensky, Administrative Law Judge, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on March 3, 1993 (Case No. 92-0764-PWD-CN), and such rates are hereby adopted.

Section 6.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be

remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Original Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Notwithstanding anything in this Section 6.05 to the contrary, so long as any of the Prior Bonds remain Outstanding, the System shall not be sold, mortgaged, leased, or otherwise disposed of without complying with the provisions of the Prior Resolution

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.06 and in Section 6.07, so long as any of the Original Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Original Bonds; provided, however, that additional Bonds on a parity with the Series 1993 B Bonds only may be issued as provided in Section 6.07 hereof. All obligations issued by the Issuer after the issuance of the Original Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1993 A Bonds and the Series 1993 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Funds, Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Original Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Original Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Notwithstanding anything in this Bond Legislation to the contrary, so long as any of the Prior Bonds remain Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System without complying with the provisions of the Prior Resolution.

Section 6.07. Parity Bonds.

A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1993 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1993 A Bonds, unless the Series 1993 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived

from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1993 A Bonds and the Series 1993 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the

conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1993 A Bonds or the Series 1993 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 6.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 6.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Original Bonds.

Section 6.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

(C) The amount of any Bonds or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

Section 6.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder and under the Prior Resolution. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations on a parity with the Bonds (including the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations

secured by a lien on or payable from such revenues on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 6.04.

Section 6.10. Operating Budget and Audit. 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. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 6.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps,

actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the service of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and the Issuer shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions

of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $200,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such 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. 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 interest may appear.

C. Prior to handling any funds of the Issuer, the Treasurer of the Issuer shall furnish bond in the amount of $25,000 for the use and benefit of the Issuer.

Section 6.15. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 6.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1993 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 6.17. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective Series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1993 A Bonds shall be on parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds and senior and prior to the statutory mortgage lien in favor of the Holders of the Series 1993 B Bonds.

Section 6.18. Water Service and Construction Agreement. The Issuer has entered into a Water Service and Construction Agreement dated October 15, 1992, with Opequon Public Service District, a copy of which is attached hereto as Exhibit B. The Issuer will comply with and perform all of its duties and obligations under said Water Service and Construction Agreement and will diligently enforce the duties and obligations of Opequon Public Service District thereunder. The Issuer will not cancel, modify or amend said Water Service and Construction Agreement without the consent of the Registered Owners of the Bonds as provided in Section 10.01 hereof.

Section 6.19. Covenants with Respect to Erosion and Wetlands. The Issuer covenants and agrees that the Project shall not contribute to excessive erosion or conversion of wetlands.

ARTICLE VII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 7.01.

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if 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 Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 7.02. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would

cause the Original Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Original Bonds) so that the interest on the Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in

preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Original Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Original Bonds from time to time as the Authority may request.

Section 7.04. Election Under Section 148(f)(4)(B)(iv)(V) of the Code. The Issuer elects to have Section 148(f)(4)(B)(iv)(V) of the Code apply to the Original Bonds and agrees to pay the penalty prescribed under Section 148(f)(4)(B)(iv)(V) of the Code, in lieu of rebate.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

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

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

(4) If a default occurs under the Prior Resolution.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Series 1993 B Bonds shall be subject to those of the Holders of the Series 1993 A Bonds and the Prior Bonds.

Section 8.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the

application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of any Bonds, shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the

Issuer and Registered Owners of such Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Series 1993 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1993 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1993 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1993 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1993 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1993 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1993 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1993 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free

and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 9.02. Defeasance of Series 1993 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1993 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1993 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1993 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of such Series 1993 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1993 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Series 1993 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of said Series 1993 B Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Series 1993 A Bonds or the Series 1993 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Original Bonds from gross income of the holders thereof.

Section 10.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 10.03. 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 Bonds.

Section 10.04. 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 10.05. Conflicting Provisions Repealed. 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 Resolution and the Prior Resolution, the Prior Resolution shall

control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 10.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of the Issuer, a Class II legal advertisement stating:

(a) The respective maximum amounts of the Bonds to be issued;

(b) The respective maximum interest rates and terms of the Bonds originally authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

(d) The maximum anticipated rates which will be charged by the Issuer; and

(e) The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

Section 10.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 5th day of March, 1993.

Chairman, Public Service Board

Member, Public Service Board

Members, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of HEDGESVILLE PUBLIC SERVICE DISTRICT on the 5th day of March, 1993.

Dated: March 8, 1993.

Secretary, Public Service District

[SEAL]

Exhibit A

DESCRIPTION OF PROJECT

The acquisition and construction of approximately 8,550 linear feet of 12 inch water main to connect the Issuer's water system with that of the neighboring Opequon Public Service District, together with all appurtenant facilities.

Exhibit B

WATER SERVICE AND CONSTRUCTION AGREEMENT

[See Transcript Document No. 34]

Exhibit C

SCHEDULE OF RATES AND CHANGES

116586.1

HEDGESVILLE PUBLIC SERVICE DISTRICT
CASE NO. 92-0764-PWD-CN

APPROVED TARIFF

Applicable in all areas served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

RATES

First	3,000 gallons used per month	-	$4.84 per 1,000 gallons
Next	3,000 gallons used per month	-	4.51 per 1,000 gallons
Next	4,000 gallons used per month	-	4.22 per 1,000 gallons
Next	10,000 gallons used per month	-	3.92 per 1,000 gallons
Over	20,000 gallons used per month	-	3.63 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of meter installed, to wit:

5/8-inch meter	$ 14.52 per month
3/4-inch meter	21.80 per month
1- inch meter	36.30 per month
1-1/2-inch meter	72.60 per month
2- inch meter	116.15 per month
3- inch meter	217.80 per month
4- inch meter	363.00 per month
6- inch meter	726.00 per month

FIRE HYDRANTS

An annual charge of $50.00 per fire hydrant shall be charged for public fire protection.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION FEES

Service shall not be restored until all amounts in arrears, including a reconnection fee of $10.00, have been paid.

EXHIBIT C

DISCONNECT AND RECONNECT WATER SERVICE AT REQUEST OF ANOTHER UTILITY

When another utility requests termination of water service to a customer of the Hedgesville Public Service District, that utility will pay the Hedgesville Public Service District a disconnect fee of $10.00. At such time as the utility requests water service be reconnected to that customer, the utility shall pay the Hedgesville Public Service District a reconnect fee of $10.00.

CONNECTION CHARGE

$250.00

DISCONNECT FOR NON-PAYMENT

The utility may disconnect service to any customer for non-payment of bill but must first make a diligent effort to induce the customer to pay the same and no discontinuance shall be affected until after at least twenty-four (24) hours written notice to the customer.

MULTIPLE OCCUPANCY AND TRAILER COURTS

On apartment buildings, or other multiple occupancy buildings, each family or business unit shall be required to pay not less than the minimum monthly charge herein established for a five-eights inch meter. Motels and hotels shall pay according to the size of meter installed.

House trailer courts shall be provided with a master meter. No bill shall be rendered for less than the minimum bill herein established for a five-eights inch meter, multiplied by the number of units situated on the court site at the time the meter is read or the actual charge for the size meter installed, whichever is greater. House trailer (as used hereinabove) shall include both mobile and immobile units.

House trailers, either mobile or immobile, located on sites other than a park or court, shall be billed in the same manner as any other family or business unit.

HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1993 A AND SERIES 1993 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1993 A AND SERIES 1993 B OF HEDGESVILLE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, RESERVE BANK, AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Hedgesville Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective March 5, 1993, (the "Bond Resolution") entitled:

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN SIX HUNDRED THOUSAND DOLLARS ($600,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A AND NOT MORE THAN FIFTY THOUSAND DOLLARS ($50,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $650,000, to be issued in two series, the Series 1993 A Bonds to be in an aggregate principal amount of not more than $600,000 (the "Series 1993 A Bonds") and the Series 1993 B Bonds to be in an aggregate principal amount of not more than $50,000 (the "Series 1993 B Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1993 A Bonds dated March 8, 1993, and a supplemental loan agreement dated March 8, 1993 (sometimes collectively referred to herein as the "Loan Agreement"), both by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Bonds are 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 and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amounts, the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF HEDGESVILLE PUBLIC SERVICE DISTRICT:

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

(A) The Water Revenue Bonds, Series 1993 A of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of $528,871. The Series 1993 A Bonds shall be dated the date of delivery thereof, shall finally mature on October 1, 2031, shall bear interest at the rate of 7.75% per annum payable semi-annually on April 1 and October 1 of each, first interest

payable October 1, 1993, shall be subject to redemption upon the consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1993 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Water Revenue Bonds, Series 1993 B of the Issuer, originally represented by a single bond, numbered BR-1, in the principal amount of $17,629. The Series 1993 B Bonds shall be dated the date of delivery thereof, shall finally mature on October 1, 2031, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1993 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the forms provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint One Valley Bank of Martinsburg, N.A., Martinsburg, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. The Issuer does hereby appoint The Old National Bank of Martinsburg, Martinsburg, West Virginia, as Reserve Bank for the Prior Bonds under the Bond Resolution.

Section 8. The Series 1993 A Bonds proceeds in the amount of $-0- shall be deposited in a Series 1993 A Bonds Sinking Fund as capitalized interest.

Section 9. The Series 1993 A Bonds proceeds in the amount of $-0- shall be deposited in a Series 1993 A Bonds Reserve Account and Series 1993 B Bonds proceeds in the amount of $-0- shall be deposited in a Series 1993 B Bonds Reserve Account.

Section 10. The remaining proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost and issuance of the Bonds.

Section 11. The Issuer hereby determines to pay, on the date of deliver of the Bonds and receipt of proceeds thereof, all borrowings, if any, of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the cost of the Project, including, but not limited to, all borrowings from the West Virginia Water Development Authority.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about March 8, 1993.

Section 13. The acquisition and construction of the Project and the financing thereof with the proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents. of the Issuer.

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in the daily cash investment account of the Depository Bank, and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such daily cash investment account,

until further directed by the Issuer. Monies in the Sinking Funds for the Bonds shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "Private Activity Bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and treasury regulations promulgated or to be promulgated thereunder.

Section 16. The Issuer elects to have Section 148(f)(4)(B)(iv)(V) of the Code apply to the Bonds and agrees to pay the penalty prescribed under such Section 148(f)(4)(B)(iv)(V) of the Code, in lieu of rebate.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of March, 1993.

HEDGESVILLE PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of HEDGESVILLE PUBLIC SERVICE DISTRICT on the 5th day of March, 1993.

Dated: March 8, 1993.

[SEAL]

Secretary, Public Service Board

123362.1

HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS
SERIES 1993 A AND SERIES 1993 B

SECOND SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION AMENDING EXHIBIT A, ENTITLED "DESCRIPTION OF PROJECT," TO THE BOND RESOLUTION ADOPTED BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT ON MARCH 5, 1993, AUTHORIZING THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN $600,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A AND NOT MORE THAN $50,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B

WHEREAS, the Public Service Board (the "Governing Body") of Hedgesville Public Service District (the "Issuer") duly and officially adopted a Bond Resolution, adopted and made effective on March 5, 1993, (the "Bond Resolution") entitled:

> AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN SIX HUNDRED THOUSAND DOLLARS ($600,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A AND NOT MORE THAN FIFTY THOUSAND DOLLARS ($50,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1993 A AND SUCH WATER REVENUE BONDS, SERIES 1993 B TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Governing Body of the Issuer has supplemented the Bond Resolution by a Supplemental Resolution also adopted and made effective on March 5, 1993, (the "Supplemental Resolution") entitled:

> SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1993 A AND SERIES 1993 B OF HEDGESVILLE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, RESERVE BANK, AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the acquisition and construction of the "Project" as defined in the Bond Resolution, has been completed and the costs thereof have been paid in full with the proceeds of the bonds (the "Bonds") authorized by the Bond Resolution and Supplemental Resolution and, after payment of the aforesaid costs, there remains the sum of approximately $31,950.00 in the Construction Fund created pursuant to Section 4.01 of the Bond Resolution; and

WHEREAS, in order to permit the Issuer to expend said remaining sum of approximately $31,950.00 in the Construction Fund for additional improvements to the Issuer's waterworks system, the Issuer desires to amend the definition of "Project" in the Bond Resolution by amending and supplementing Exhibit A to the Bond Resolution as further set forth herein; and

WHEREAS, the West Virginia Water Development Authority (the "WDA"), as the sole owner of the Bonds has consented in writing to the amendment by the Issuer of said Exhibit A to the Bond Resolution; and

WHEREAS, the WDA has assigned the Issuer's Water Revenue Bonds, Series 1993 A, to One Valley Bank, National Association (the "Bank"), as collateral, and the Bank has consented in writing to the amendment by the Issuer of said Exhibit A to the Bond Resolution; and

WHEREAS, the Governing Body deems it essential and desirable that this Second Supplemental Resolution be adopted and that the Exhibit A to the Bond Resolution be amended as set forth herein, the additional projects to be added to the aforesaid Exhibit A being permitted and authorized by Chapter 16, Article 13A of the West Virginia Code of 1931, as amended, and being necessary and desirable for the health and welfare of the inhabitants of the Issuer.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT:

Section 1. Exhibit A, entitled "Description of Project", to the Bond Resolution, is hereby supplemented and amended by adding at the end thereof the following language: "and together with two (2) turbidity meters with one recorder, two (2) chlorine analyzers with one recorder, one (1) autodialer system, one (1) pager, one (1) plant air compressor, structural survey of the Issuer's water tank, and all installation, technical and legal costs relating or incidental thereto" so that such Exhibit A, entitled "Description of Project", to the Bond Resolution reads in its entirety as follows:

> The acquisition and construction of approximately 8,550 linear feet of 12 inch water main to connect the Issuer's water system with that of the neighboring Opequon Public Service District, together with all appurtenant facilities, and together with two (2) turbidity meters with one recorder, two (2) chlorine analyzers with one recorder, one (1) autodialer system, one (1) pager, one (1) plant air compressor, structural survey of the Issuer's water tank, and all installation, technical and legal costs relating or incidental thereto.

Section 2. The Consent of the WDA, as sole owner of the Bonds and the Bank, as assignee for collateral purposes of the WDA with respect to the Issuer's Water Revenue Bonds, Series 1993 A, shall be filed in the records of the Issuer relating to the issuance of the Bonds.

Section 3. This Second Supplemental Resolution shall be effective immediately following the adoption thereof.

Adopted this 12 day of April, 1994.

HEDGESVILLE PUBLIC SERVICE DISTRICT

Chairman

Public Service Board Member

Public Service Board Member

222346.1

BOWLES RICE
McDAVID GRAFF & LOVE

ATTORNEYS AT LAW

206 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-296-2500
FACSIMILE 304-296-2513

801 AVERY STREET
POST OFFICE BOX 48
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500
FACSIMILE 304-485-7973

WRITER'S DIRECT DIAL NUMBER

16TH FLOOR COMMERCE SQUARE • LEE STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
FACSIMILE 304-343-2867

105 W. BURKE STREET
POST OFFICE DRAWER 1419
MARTINSBURG, WEST VIRGINIA 25401-1419
TELEPHONE 304-263-0836
FACSIMILE 304-267-3822

OLD NATIONAL BANK BUILDING
EAST WASHINGTON STREET
POST OFFICE BOX 59
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-725-1535
FACSIMILE 304-725-4417

March 8, 1993

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

RE: Hedgesville Public Service District
Water Revenue Bonds, Series 1993 A

Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Hedgesville Public Service District (the "Governmental Agency"), a public corporation and political subdivision of the State of West Virginia, of its $528,871 Water Revenue Bonds, Series 1993 A, dated the date hereof (the "Local Bonds").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated March 8, 1993, 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 Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of $528,871, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1993, at the rate of 7.75% per annum and with principal payable in installments on October 1 in each of the years 1993 through 2031, inclusive, all as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Governmental Agency (the "Project"), and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Governmental Agency on March 5, 1993, as supplemented by a Supplemental Resolution duly adopted on March 5, 1993 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued and the Loan Agreement has been undertaken. The Local Bonds are

subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the Net Revenues of the System referred to in the Local Act and secured by a lien on and pledge of the Net Revenues of said System, on a parity with the Governmental Agency's outstanding Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Local Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

7. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Local Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that such interest is included in the adjusted current earnings of a corporation for the purpose of claiming alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Governmental Agency comply, on a continuous basis, with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Local Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Governmental Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Local Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Local Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Local Bonds.

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

We have examined the executed and authenticated Local Bond No. AR-1, and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE

Bowles Rice McDavid Graff & Love

123370.1

BOWLES RICE
McDAVID GRAFF & LOVE

ATTORNEYS AT LAW

206 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-296-2500
FACSIMILE 304-296-2513

601 AVERY STREET
POST OFFICE BOX 48
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500
FACSIMILE 304-485-7973

WRITER'S DIRECT DIAL NUMBER

16TH FLOOR COMMERCE SQUARE • LEE STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
FACSIMILE 304-343-2867

105 W. BURKE STREET
POST OFFICE DRAWER 1419
MARTINSBURG, WEST VIRGINIA 25401-1419
TELEPHONE 304-263-0836
FACSIMILE 304-267-3822

OLD NATIONAL BANK BUILDING
EAST WASHINGTON STREET
POST OFFICE BOX 59
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-725-1535
FACSIMILE 304-725-4417

March 8, 1993

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

RE: Hedgesville Public Service District
Water Revenue Bonds, Series 1993 B

Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Hedgesville Public Service District (the "Governmental Agency"), a public corporation and political subdivision of the State of West Virginia, of its $17,629 Water Revenue Bonds, Series 1993 B, dated the date hereof (the "Supplemental Bonds").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a supplemental loan agreement dated March 8, 1993, including all schedules and exhibits attached thereto (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the Supplemental Bonds, which are to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of $17,629, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years 1993 through 2031, inclusive, all as set forth in "Schedule X" attached to the Supplemental Loan Agreement and incorporated in and made a part of the Supplemental Bonds.

The Supplemental Loan Agreement is supplemental to a loan agreement dated March 8, 1993, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to (i) the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith in the aggregate principal amount of $528,871, and (ii) the Governmental Agency's outstanding Water Revenue Bond, Series 1976, dated January 17, 1968, issued in the

original aggregate principal amount of $620,000 (the "Series 1976 Bond").

The Supplemental Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Governmental Agency (the "Project"), and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Governmental Agency on March 5, 1993 as supplemented by a Supplemental Resolution duly adopted on March 5, 1993, (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Supplemental Bonds are authorized and issued and the Supplemental Loan Agreement has been undertaken. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and presently existing public service district and a public corporation and political subdivision of the State of West Virginia with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary orders and resolutions have been duly and effectively adopted by the Governmental Agency in connection with the issuance and sale of the Supplemental Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement.

5. The Supplemental Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the Net Revenues of the System referred to in the Local Act and secured by a lien on and pledge of the Net Revenues of said System, junior and subordinate only to the Local Bonds and the Series 1976 Bond, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority.

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

7. The Supplemental Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

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

We have examined the executed and authenticated Supplemental Bond No. BR-1, and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE

Bowles Rice McDavid Graff & Love

123371.1

HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS
Series 1996

BOND RESOLUTION

HEDGESVILLE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

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HEDGESVILLE PUBLIC SERVICE DISTRICT

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN SIX HUNDRED SEVENTY-SEVEN THOUSAND ONE HUNDRED FIFTY-EIGHT DOLLARS ($677,158.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1996; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1996 TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF HEDGESVILLE 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 "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. Hedgesville Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Berkeley County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing waterworks system, the Project and any further additions thereto or extensions thereof is

herein called the "System") in accordance with the plans and specifications prepared by Kelley Gidley Blair & Wolfe, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds and Prior Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein and in the Prior Resolutions, all as such terms are hereinafter defined.

D. It is further deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1996 in the total aggregate principal amount of not more than $677,158, (the "Series 1996 Bonds") to finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1996 Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1996 Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1996 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1996 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interest of the Issuer that its Series 1996 Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority.

G. There are outstanding obligations of the Issuer which will rank either senior and prior to or on parity with the Series 1996 Bonds as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Series 1996 Bonds, as follows:

Designation	Lien Position
Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000 (the "Series 1976 Bond")	First Lien
Water Revenue Bonds, Series 1993 A (the "Series 1993 A Bonds")	First Lien
Water Revenue Bonds, Series 1996 (the "Series 1996 Bonds")	First Lien
Water Revenue Bonds, Series 1993 B (the "Series 1993 B Bonds")	Second Lien

The Series 1996 Bonds shall be issued on parity with the Series 1976 Bond and the Series 1993 A Bonds and senior and prior to the Series 1993 B Bonds with respect to liens, pledges, and sources of and security for payment and in all other respects.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System and issuance of the Series 1996 Bonds or will have so complied prior to issuance of any thereof, including, among other things, approval of the West Virginia Infrastructure and Jobs Development Council and the obtaining of a Certificate of Public Convenience and Necessity, when applicable, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 1996 Bonds or has been waived by all necessary parties.

I. The Issuer has received the written consent of Rural Development, United States Department of Agriculture (formerly, Farmers Home Administration) as the sole holder of the Series 1976 Bond, to the issuance of the Series 1996 Bonds with lien positions with respect to the Series 1976 Bond as set forth in paragraph G of this Section 1.02 and waiving certain other requirements of the Series 1976 Bond Resolution.

J. The Issuer has received the certificate of Frobenius, Conaway & Company, P.C., Certified Public Accountants, accountants for the Issuer, required by the Series 1993 Bonds Resolution for the issuance of the Series 1996 Bonds on a parity with the Series 1993 A Bonds.

K. The Issuer has received the written consent of the West Virginia Water Development Authority, as the sole holder of the Series 1993 A Bonds and the Series 1993 B Bonds, to the issuance of the Series 1996 Bonds with lien positions with respect to the Series 1993 A Bonds and Series 1993 B Bonds as set forth in paragraph G of this Section 1.02.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the registered owners of the same from time to time, this Bond

Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds, as the case may be, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is expected to be the original purchaser of the Series 1996 Bonds, provided that the Issuer must satisfy the legal and other requirements of the Program.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 4.01 hereof.

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

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

"Bond Year" means each one-year period (or shorter period from the date of issuance of the Bonds) that ends at the close of business on October 1.

"Bonds" means the Series 1996 Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"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 Kelley Gidley Blair & Wolfe, Inc., or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, provided 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 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Event of Default" means any occurrence or event specified in Section 9.01.

"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.

"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 Section 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Investment Property" shall mean any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code, obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Hedgesville Public Service District, in Berkeley County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement to be entered into between the Authority and the Issuer providing for the purchase of the Series 1996 Bonds from the Issuer by the Authority, the form of which is approved, and the execution and delivery of which by the Issuer are authorized and directed or ratified in Section 3.10 hereof.

"Net Proceeds" means the face amount of the Series 1996 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1996 Bonds Reserve Account, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1996 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1996 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1996 Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation 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, Registrar and Paying Agent (all as herein defined), payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 6.07 hereof.

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series 1976 Bond, the Series 1993 A Bonds and the Series 1993 B Bonds.

"Prior Resolutions" means the Series 1976 Bond Resolution and the Series 1993 Bonds Resolution.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

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

"Registrar" means the Bond Registrar.

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

"Reserve Bank" means the bank designated as such in the Series 1976 Bond Resolution, and its successors and assigns.

"Revenue Fund" means the Hedgesville Public Service District Revenue Fund established by the Series 1976 Bond Resolution and continued by Section 4.01 hereof.

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

"Series 1996 Bonds" or "Bonds originally authorized hereby" or similar phrases mean the not more than $677,158 in aggregate principal amount of the Issuer's Water Revenue Bonds, Series 1996, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Series 1996 Bonds Rebate Fund" means the Series 1996 Bonds Rebate Fund established by Section 4.01(A) hereof.

"Series 1996 Bonds Reserve Account" means the Series 1996 Bonds Reserve Account established in the Series 1996 Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 1996 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1996 Bonds in the then current or any succeeding year.

"Series 1996 Bonds Sinking Fund" means the Series 1996 Bonds Sinking Fund established by Section 4.02 hereof.

"Series 1993 A Bonds" means the Water Revenue Bonds, Series 1993 A of the Issuer, dated March 8, 1993, issued in the original principal amount of $528,871.

"Series 1993 A Bonds Reserve Account" means the Series 1993 A Bonds Reserve Account established in the Series 1993 A Bonds Sinking Fund pursuant to Section 4.02 of the Series 1993 Bonds Resolution.

"Series 1993 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1993 A Bonds in the then current or any succeeding year.

"Series 1993 A Bonds Sinking Fund" means the Series 1993 A Bonds Sinking Fund established by Section 4.02 of the Series 1993 Bonds Resolution.

"Series 1993 B Bonds" means the Water Revenue Bonds, Series 1993 B of the Issuer dated March 8, 1993, issued in the original principal amount of $17,629.

"Series 1993 B Bonds Reserve Account" means the Series 1993 B Bonds Reserve Account established in the Series 1993 B Bonds Sinking Fund pursuant to Section 4.02 of the Series 1993 Bonds Resolution.

"Series 1993 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1993 B Bonds in the then current or any succeeding year.

"Series 1993 B Bonds Sinking Fund" means the Series 1993 B Bonds Sinking Fund established by Section 4.02 of the Series 1993 Bonds Resolution.

"Series 1993 Bonds" means the Series 1993 A Bonds and Series 1993 B Bonds.

"Series 1993 Bonds Rebate Fund" means the Rebate Fund established by Section 4.01(A) of the Series 1993 Bonds Resolution.

"Series 1993 Bonds Resolution" means collectively the resolution and supplemental resolution of the Issuer, each adopted March 5, 1993, authorizing the issuance of the Series 1993 Bonds.

"Series 1976 Bond" means the Issuer's Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000.

"Series 1976 Bond Replacement Fund" means the Replacement Fund established by the Series 1976 Bond Resolution and continued by Section 4.01 hereof.

"Series 1976 Bond Reserve Fund" means the Reserve Fund for the Series 1976 Bond established by the Series 1976 Bond Resolution and continued by Section 4.01 hereof.

"Series 1976 Bond Resolution" means the resolution of the Issuer adopted October 21, 1976, as amended by the Issuer on January 17, 1978, authorizing the Series 1976 Bond.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance 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 1996 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1996 Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, as further defined in the Series 1993 Bonds Resolution and in Section 4.03(B) hereof.

"System" means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $677,158 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1996 Bonds hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1996 Bonds, funding a reserve account for the Series 1996 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1996 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 1996 Bonds of the Issuer, in an aggregate principal amount of not more than $677,158. Said Series 1996 Bonds shall be issued in one series, to be designated, "Water Revenue Bonds, Series 1996," in the aggregate principal amount of not more than $677,158, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1996 Bonds remaining after the funding of the Series 1996 Bonds Reserve Account (if funded from the Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1996 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of such series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

[Form of Series 1996 Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND,
SERIES 1996

No. AR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That HEDGESVILLE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Berkeley 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 ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1996. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated August 6, 1996.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full

compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 1996 and a Supplemental Resolution duly adopted by the Issuer on _____, 1996 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE ISSUERS'S WATER REVENUE BOND, SERIES 1976, DATED JANUARY 17, 1978, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $620,000 (THE "SERIES 1976 BOND") AND THE ISSUER'S WATER REVENUE BONDS, SERIES 1993 A, DATED MARCH 8, 1993, ISSUED IN THE ORIGINAL AGGREGATE AMOUNT OF $528,871 (THE "SERIES 1993 A BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S WATER REVENUE BONDS, SERIES 1993 B, DATED MARCH 8, 1993, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $17,629 (THE "SERIES 1993 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on parity with the pledge of Net Revenues in favor of the holders of the Series 1976 Bond and the Series 1993 A Bonds, and senior and prior to the pledge of the Net Revenues in favor of the holders of the Series 1993 B Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1996 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1996 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1993 A Bonds, the Series 1993 B Bonds, the Series 1976 Bond and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Series 1996 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series

1976 Bond, the Series 1993 A Bonds, the Series 1993 B Bonds and any other obligations Outstanding prior to or on a parity with the Bonds or the Series 1993 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, HEDGESVILLE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 19_____.

HEDGESVILLE PUBLIC SERVICE DISTRICT

[SEAL]

_____

Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1996 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

_____,
as Registrar

By_____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, 19_____.

_____

In the presence of:

_____

Section 3.10. Sale of Series 1996 Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Series 1996 Bonds 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 in the form attached hereto as "Exhibit B" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.11. "Amended Schedule A" Filing. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank and Reserve Bank.

A. The following special funds or accounts are created (or continued if previously established by the Prior Resolutions) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

1. Revenue Fund (established by the Series 1976 Bond Resolution);

2. Operation and Maintenance Fund (established by the Series 1976 Bond Resolution);

3. Series 1976 Bond Replacement Fund (established by the Series 1976 Bond Resolution);

4. Renewal and Replacement Fund (established by the Series 1993 Bonds Resolution);

5. Bond Construction Trust Fund;

6. Series 1993 Bonds Rebate Fund (established by the Series 1993 Bonds Resolution); and

7. Series 1996 Bonds Rebate Fund.

B. The Series 1976 Bond Reserve Fund established by the Series 1976 Bond Resolution is hereby continued with and shall be held by the Reserve Bank separate and apart from all other funds or accounts of the Reserve Bank.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the Series 1993 Bonds Resolution) with the Commission:

1. Series 1993 A Bonds Sinking Fund (established by the Series 1993 Bonds Resolution);

(a) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account (established by the Series 1993 Bonds Resolution);

2. Series 1993 B Bonds Sinking Fund (established by the Series 1993 Bonds Resolution);

(a) Within the Series 1993 B Bonds Sinking Fund, the Series 1993 B Bonds Reserve Account (established by the Series 1993 Bonds Resolution);

3. Series 1996 Bonds Sinking Fund;

(a) Within the Series 1996 Bonds Sinking Fund, the Series 1996 Bonds Reserve Account.

Section 4.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

1. The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount determined by the Governing Body in accordance with its budget, to be necessary and sufficient to pay current Operating Expenses.

2. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and pay to the respective offices and places designated in the Series 1976 Bond and the Series 1993 A Bonds the amounts required by the Prior Resolutions for payment of principal of and interest on the Series 1976 Bond and the Series 1993 A Bonds and simultaneously (i) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1996 Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1996 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1996 Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1996 Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and simultaneously (ii) on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1996 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1996 Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1996 Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date. In the event moneys in the Revenue Fund are insufficient to make all the payments in this subsection 2., then the

Issuer shall make pro rata payments on the Series 1976 Bonds, the Series 1993 A Bonds and the Series 1996 Bonds first to interest and then to principal, based upon the respective principal amounts then Outstanding.

3. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and deposit with the Reserve Bank in the Series 1976 Bond Reserve Fund the amounts required by the Series 1976 Bond Resolution to be deposited therein and shall also on the first day of each month transfer from the Revenue Fund and remit to the Series 1993 A Bonds Reserve Account the amounts required by the Series 1993 Bonds Resolution to be deposited therein, and on the first day of each month, commencing the month following the completion of the Project, if not fully funded upon issuance of the Series 1996 Bonds, simultaneously apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Reserve Account, an amount equal to 1/120 of the Series 1996 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1996 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1996 Bonds Reserve Requirement, and provided further, that in the event that there are not sufficient monies available to make all deposits required by this subsection 3., then the Issuer shall make the deposits required by this subsection 3. on a pro rata basis.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, simultaneously transfer to the Series 1976 Bond Replacement Fund the amounts required by the Series 1976 Bond Resolution to be deposited therein and on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account, provided, however, the foregoing amount required to be deposited in the Renewal and Replacement Fund shall be reduced by the amount of any deposit into the Series 1976 Bond Replacement Fund during such month. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1993 A Bonds Reserve Account, the Series 1993 B Bonds Reserve Account, or the Series 1996 Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund, and provided further that the deficiencies in the Series 1993 A Bonds Reserve Account and the Series 1996 Bonds Reserve Account shall be so eliminated prior to the elimination of any deficiency in the Series 1993 B Bonds Reserve Account.

5. The Issuer shall next on the first day of each month apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1993 B Bonds on the next ensuing principal payment date.

6. The Issuer shall next on the first day of each month apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Reserve Account, the amounts required by the Series 1993 Bonds Resolution to be deposited therein.

Moneys in the Series 1996 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1996 Bonds as the same shall become due. Moneys in the Series 1996 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1996 Bonds, as the same shall come due, when other moneys in the Series 1996 Bonds Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Series 1996 Bonds Rebate Fund.

Moneys in the Series 1976 Bond Reserve Fund, the Series 1976 Bond Replacement Fund, the Series 1993 A Bonds Sinking Fund, the Series 1993 B Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account, and the Series 1993 B Bonds Reserve Account shall only be used in accordance with the Prior Resolutions.

Except to the extent transferred to the Series 1996 Bonds Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1996 Bonds Sinking Fund and the Series 1996 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1996 Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Series 1996 Bonds Rebate Fund, any withdrawals from the Series 1996 Bonds Reserve Account which result in a reduction in the balance of the Series 1996 Bonds Reserve Account to below the Series 1996 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, for payment of debt service on the Series 1976 Bond, to the Series 1993 A Bonds Sinking Fund for payment of debt service on the Series 1993 A Bonds, and to the Series 1996 Bonds Sinking Fund for payment of debt service on the Series 1996 Bonds; provided, if there is also a deficiency in the Series 1976 Bond Reserve Fund and/or the Series 1993 A Bonds Reserve Account such first Net Revenues shall be allocated pro rata to eliminate such deficiencies in the Series 1996 Bonds Reserve Account, the Series 1976 Bond Reserve Fund and/or the Series 1993 A Bonds Reserve Account.

Except with respect to transfers to the Series 1993 Bonds Rebate Fund, any withdrawals from the Series 1993 B Bonds Reserve Account which result in a reduction in the balance of the Series 1993 B Bonds Reserve Account to below the Series 1993 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments on the Series 1976 Bond and to the Series 1993 A Bonds Sinking Fund, the Series 1996 Bonds Sinking Fund, the Series 1976 Bond Reserve Fund, the Series 1993 A Bonds Reserve

Account, the Series 1996 Bond Reserve Account, the Series 1976 Bond Replacement Fund, the Renewal and Replacement Fund and the Series 1993 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Series 1996 Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in a amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1996 Bonds Sinking Fund or into the Series 1996 Bonds Reserve Account therein when the aggregate amount of funds in said Series 1996 Bonds Sinking Fund and Series 1996 Bonds Reserve Account are at least equal to the aggregate principal amount of the Series 1996 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding a deficiency in any Reserve Account, shall be made pro-rata with respect to the Series 1976 Bond, the Series 1993 A Bonds and the Series 1996 Bonds in accordance with the respective principal amounts then Outstanding, and thereafter shall be made with respect to the Series 1993 B Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1996 Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1996 Bonds Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1996 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

Except with respect to transfers to the Series 1996 Bonds Rebate Fund, the Series 1996 Bonds Sinking Fund, including the Series 1996 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1996 Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid on the Series 1976 Bond and into the Sinking Funds for the Series 1993 Bonds and the Series 1996 Bonds, including the Reserve Accounts therein, the Series 1976 Bond Reserve Fund, the Series 1976 Bond Replacement Fund, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, Operation and Maintenance Fund, the Series 1976 Bond Reserve Fund, the Series 1976 Bond Replacement Fund, the Renewal and Replacement Fund, the Series 1993 Bonds Rebate Fund, and the Series 1996 Bonds Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Series 1996 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

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

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

C. Next, from the proceeds of the Series 1996 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining moneys derived from the sale of the Series 1996 Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 5.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Series 1996 Bonds Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1996 Bonds.

Section 5.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 5.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Series 1996 Bonds which shall be made upon request

of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

In any case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative or representatives, as the case may be.

Pending such application, moneys in Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1996 Bonds Reserve Account, and when fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payment, if any, due on the Series 1996 Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid. Further, all the covenants, agreements and provisions of the respective Prior Resolutions shall remain in full force and effect so long as any of the respective Prior Bonds remain Outstanding.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bond Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 1996 Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, on parity with the lien on said Net Revenue in favor of the Holders of the Series 1976 Bond and the Series 1993 A Bonds, and senior and prior to the lien on said Net Revenues in favor of the Holders of the Series 1993 B Bonds. Payment of the debt service of the Series 1993 B Bonds shall be secured forthwith equally and ratably by a lien on said Net Revenues, junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1976 Bond, the Series 1993 A Bonds and the Series 1996 Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and the Prior Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 6.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System, a copy of which is attached hereto as Exhibit C and incorporated herein, shall be as set forth and approved and described in the Recommended Decision entered May 30, 1996, by Melissa K. Marland, Chief Administrative Law Judge, and such rates were further approved by the Public Service Commission of West Virginia by Commission Order entered on July 15, 1996 (Case No. 95-0992-PWD-CN), and such rates are hereby adopted.

Section 6.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Series 1996 Bonds Sinking Fund and shall be applied only to the purchase of Series 1996 Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Series 1996 Bonds Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Notwithstanding anything in this Section 6.05 to the contrary, so long as any of the Prior Bonds remain Outstanding, the System shall not be sold, mortgaged, leased, or otherwise disposed of without complying with the provisions of the Prior Resolution or Prior Resolutions applicable to such Outstanding Prior Bonds.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.06 and in Section 6.07, so long as any of the Series 1996 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1996 Bonds. All obligations issued by the Issuer after the issuance of the Series 1996 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1996 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1996 Bonds Sinking Fund, the Series 1996 Bonds Reserve Account and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1996 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 1996 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Notwithstanding anything in this Bond Legislation to the contrary, so long as any of the Prior Bonds remain Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System without complying with the provisions of the Prior Resolution or Prior Resolutions applicable to such Outstanding Prior Bonds.

Section 6.07. Parity Bonds.

A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

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

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants,

based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

1. The Bonds and Prior Bonds then Outstanding;

2. Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

3. The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with

all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1996 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1996 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 6.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 6.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Series 1996 Bonds.

Section 6.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

C. The amount of any Bonds, Prior Bonds or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

Section 6.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder and under the Prior Resolutions. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds, Prior Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations on a parity with the Bonds (including the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds, Prior Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds. In any

event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 6.04.

Section 6.10. Operating Budget and Audit. 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. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 6.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such

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

Section 6.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.14. Insurance and Construction Bonds.

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

1. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

2. PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $200,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such 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. 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 interest may appear.

C. Prior to handling any funds of the Issuer, the Treasurer of the Issuer shall furnish bond in the amount of $25,000 for the use and benefit of the Issuer.

Section 6.15. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 6.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1996 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1996 Bonds during the term thereof is, under the terms of the Series 1996 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both

(A) in excess of 5% of the Net Proceeds of the Series 1996 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1996 Bonds during the term thereof is, under the terms of the Series 1996 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1996 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1996 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 1996 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1996 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure that tax-exempt status of the Series 1996 Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1996 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 6.17. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective Series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1996 Bonds shall be on parity with the statutory mortgage lien in favor of the Holders of the Series 1976 Bond and the Series 1993 A Bonds and senior and prior to the statutory mortgage lien in favor of the Holders of the Series 1993 B Bonds.

Section 6.18. Water Service and Construction Agreement. The Issuer has entered into a Water Service and Construction Agreement dated October 15, 1992, with Opequon Public Service District, a copy of which is attached as Exhibit B to the Series 1993 Bonds Resolution. The Issuer will comply with and perform all of its duties and obligations under said Water Service and Construction Agreement and will diligently enforce the duties and obligations of Opequon Public Service District thereunder. The Issuer will not cancel, modify or amend said Water Service and Construction Agreement without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Bonds.

Section 6.19. Covenants with Respect to Erosion and Wetlands. The Issuer covenants and agrees that the Project shall not contribute to excessive erosion or conversion of wetlands.

Section 6.20 Securities Laws 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).

ARTICLE VII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 7.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account, except as otherwise provided with respect to the Series 1996 Bonds Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if 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 Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Series 1996 Bonds from gross income for federal income tax purposes.

Section 7.02. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1996 Bonds which would cause the Series 1996 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Series 1996 Bonds) so that the interest on the Series 1996 Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1996 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1996 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Series 1996 Bonds Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Series 1996 Bonds Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Series 1996 Bonds Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Series 1996 Bonds Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Series 1996 Bonds Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Series 1996 Bonds Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1996 Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1996 Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Series 1996 Bonds from time to time as the Authority may request.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

1. If default occurs in the due and punctual payment of the principal of or interest on any Bond; or

2. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

4. If a default occurs under either or both of the Prior Resolutions.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided that all rights and remedies of the Registered Owners of the Series 1993 B Bonds shall be junior and subordinate to the rights and remedies of the Registered Owners of the Series 1976 Bond, the Series 1993 A Bonds, and the Series 1996 Bonds.

Section 8.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the

acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of any Bonds, shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Series 1996 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1996 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1996 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1996 Bonds from gross income for federal income tax purposes.

Series 1996 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1996 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1996 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1996 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1996 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Series 1996 Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Series 1996 Bonds from gross income of the holders thereof.

Section 10.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 10.03. 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 Bonds.

Section 10.04. 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 10.05. Conflicting Provisions Repealed. 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 Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 10.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of the Issuer, a Class II legal advertisement stating:

1. The respective maximum amounts of the Bonds to be issued;

2. The respective maximum interest rates and terms of the Bonds originally authorized hereby;

3. The public service properties to be acquired or constructed and the cost of the same;

4. The maximum anticipated rates which will be charged by the Issuer; and

5. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

Section 10.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 5th day of August, 1996.

Chairman, Public Service Board

Member, Public Service Board

Members, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of HEDGESVILLE PUBLIC SERVICE DISTRICT on the 5th day of August, 1996.

Dated: August 6, 1996

Secretary, Public Service District

[SEAL]

Exhibit A

DESCRIPTION OF PROJECT

The acquisition and construction of a 200-gallon per minute booster station between the south zone and the proposed middle zone of the Issuer's water system, the acquisition and construction of a 250,000 gallon storage tank along Ridge Road, the addition of a pressure reducing valve between the Issuer's Hedgesville high zone and the Issuer's middle zone and a pressure reducing valve between the Hedgesville high zone and the proposed east zone, the replacement of the Hedgesville Water Treatment Plant motor control center, and related right-of-way acquisition, together with appurtenant facilities and other improvements to the Issuer's water system.

Exhibit B

LOAN AGREEMENT

[See Transcript Document No. 3]

Exhibit C

SCHEDULE OF RATES AND CHARGES

HEDGESVILLE PUBLIC SERVICE DISTRICT
CASE NO. 95-0992-PWD-CN

APPROVED RATES

Applicable in all areas served.

Availability of Service

Available for general domestic, commercial and industrial service.

Rates

First	3,000 gallons used per month	$5.61 per 1,000 gallons
Next	3,000 gallons used per month	5.23 per 1,000 gallons
Next	4,000 gallons used per month	4.90 per 1,000 gallons
Next	10,000 gallons used per month	4.55 per 1,000 gallons
Over	20,000 gallons used per month	4.21 per 1,000 gallons

Minimum Charge

5/8-inch meter	$ 16.84 per month
3/4-inch meter	25.29 per month
1-inch meter	42.11 per month
1-1/2-inch meter	84.22 per month
2-inch meter	134.73 per month
3-inch meter	252.65 per month
4-inch meter	421.08 per month
6-inch meter	842.16 per month

Fire Hydrants

An annual charge of $50.00 per fire hydrant shall be charged for public fire protection.

Private Fire Protection

Fire Hydrants	- $70.00 each per year
Sprinkler Heads	- $ 0.25 per head per year
Hose Connections, for fire use only Simplex or Duplex	- $50.00 per year

Billing shall be based upon the fiscal year July 1 through June 30 annually.

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Reconnection Fees

Service shall not be restored until all amounts in arrears, including a reconnection fee of $10.00, have been paid.

Disconnect and Reconnect Water Service at Request of Another Utility

When another utility requests termination of water service to a customer of the Hedgesville Public Service District, that utility will pay the Hedgesville Public Service District a disconnect fee of $10.00. At such time as the utility requests water service be reconnected to that customer, the utility shall pay the Hedgesville Public Service District a reconnect fee of $10.00.

Connection Charge

$250.00

Disconnect for Non-Payment

The utility may disconnect service to any customer for non-payment of bill but must first make a diligent effort to induce the customer to pay the same and no discontinuance shall be effected until after at least twenty-four (24) hours written notice to the customer.

Multiple Occupancy and Trailer Courts

On apartment buildings, or other multiple occupancy buildings, each family or business unit shall be required to pay not less than the minimum monthly charge herein established for a five-eighths inch meter. Motels and hotels shall pay according to the size of meter installed.

House trailer courts shall be provided with a master meter. No bill shall be rendered for less than the minimum bill herein established for a five-eighths inch meter, multiplied by the number of units situated on the court site at the time the meter is read or the actual charge for the size meter installed, whichever is greater. House trailer (as used hereinabove) shall include both mobile and immobile units.

House trailers, either mobile or immobile, located on sites other than a park or court, shall be billed in the same manner as any other family or business unit.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA

HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 1996

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1996 OF HEDGESVILLE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, RESERVE BANK, AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Hedgesville Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective August 5, 1996, (the "Bond Resolution") entitled:

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE HEDGESVILLE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN SIX HUNDRED SEVENTY-SEVEN THOUSAND ONE HUNDRED FIFTY-EIGHT DOLLARS ($677,158.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1996; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1996 TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 1996 of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $677,158 (the "Series 1996 Bonds") and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1996 Bonds dated August 6, 1996, (sometimes referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, maturity date, interest rate, interest and principal payment dates, sale price and other terms of the Series 1996 Bonds should be established by a supplemental resolution pertaining to the Series 1996 Bonds; and that other matters relating to the Series 1996 Bonds be herein provided for;

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

WHEREAS, the Series 1996 Bonds are 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 and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the price, the maturity date, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1996 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1996 Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF HEDGESVILLE PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued, the Water Revenue Bonds, Series 1996 of the Issuer, originally represented by a single bond, numbered R-1, in the principal amount of $677,158. The Series 1996 Bonds shall be dated the date of delivery thereof, shall finally mature on October 1, 2035, shall bear interest at the rate of 6.25% per annum payable semi-annually on April 1 and October 1 of each year, first interest payable October 1, 1996, shall be subject to redemption upon the consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1996 Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in the Debt Service Schedule attached thereto and to the Loan Agreement and incorporated therein by reference.

Section 2. All other provisions relating to the Series 1996 Bonds and the text of the Series 1996 Bonds shall be in substantially the forms provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Series 1996 Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Series 1996 Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1996 Bonds.

Section 6. The Issuer does hereby appoint One Valley Bank-East, National Association, Martinsburg, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. The Issuer does hereby ratify the appointment of One Valley Bank - East, National Association (formerly, The Old National Bank of Martinsburg), Martinsburg, West Virginia, as Reserve Bank for the Series 1976 Bond under the Series 1976 Bond Resolution.

Section 8. The Series 1996 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1996 Bonds Sinking Fund as capitalized interest.

Section 9. The Series 1996 Bonds proceeds in the amount of $-0- shall be deposited in a Series 1996 Bonds Reserve Account.

Section 10. The remaining proceeds of the Series 1996 Bonds shall be deposited in the Bond Construction Trust Fund for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost and issuance of the Series 1996 Bonds.

Section 11. The Issuer hereby determines to pay, on the date of delivery of the Series 1996 Bonds and receipt of proceeds thereof, all borrowings, if any, of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the cost of the Project, including, but not limited to, all borrowings from the West Virginia Water Development Authority.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 1996 Bonds hereby and by the Bond Resolution approved

and provided for, to the end that the Series 1996 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about August 6, 1996.

Section 13. The acquisition and construction of the Project and the financing thereof with the proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents. of the Issuer.

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in the daily cash investment account of the Depository Bank, and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such daily cash investment account, until further directed by the Issuer. Monies in the Sinking Funds for the Bonds shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Series 1996 Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 1996 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 1996 Bonds as "Private Activity Bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and treasury regulations promulgated or to be promulgated thereunder.

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of August, 1996.

HEDGESVILLE PUBLIC SERVICE DISTRICT

Boyd E. Butler

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of HEDGESVILLE PUBLIC SERVICE DISTRICT on the 5th day of August, 1996.

Dated: August 6, 1996.

[SEAL]

Secretary, Public Service Board

CHS/38688.1

BOWLES RICE
McDAVID GRAFF & LOVE

ATTORNEYS AT LAW

206 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-296-2500
FACSIMILE 304-296-2513

601 AVERY STREET
POST OFFICE BOX 48
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500
FACSIMILE 304-485-7973

WRITER'S DIRECT DIAL NUMBER

16TH FLOOR HUNTINGTON SQUARE • LEE STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
FACSIMILE 304-343-2867

105 W. BURKE STREET
POST OFFICE DRAWER 1419
MARTINSBURG, WEST VIRGINIA 25401-1419
TELEPHONE 304-263-0836
FACSIMILE 304-267-3822

August 6, 1996

(304) 347-1100

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

RE: Hedgesville Public Service District
Water Revenue Bonds, Series 1996

Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Hedgesville Public Service District (the "Governmental Agency"), a public corporation and political subdivision of the State of West Virginia, of its $677,158 Water Revenue Bonds, Series 1996, dated the date hereof (the "Local Bonds").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated August 6, 1996, 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 Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of $677,158, issued initially in the form of one bond registered as to principal and interest to the Authority, with interest payable October 1 and April 1 of each year, beginning October 1, 1996, at the rate of 6.25% per annum and with principal payable in installments on October 1 in each of the years 1997 through 2035, inclusive, all as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Governmental Agency (the "Project"), and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Governmental Agency on August 5, 1996, as supplemented by a Supplemental Resolution duly adopted on August 5, 1996 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the Net Revenues of the System referred to in the Local Act and secured by a lien on and pledge of the Net Revenues of said System, on a parity with (i) the Governmental Agency's outstanding Water Revenue Bond, Series 1976, dated January 17, 1978, issued in the original aggregate principal amount of $620,000, and (ii) the Governmental Agency's outstanding Water Revenue Bonds, Series 1993 A, dated March 8, 1993, issued in the original aggregate principal amount of $528,871, and senior and prior to the Governmental Agency's outstanding Water Revenue Bonds, Series 1993 B, dated March 8, 1993, issued in the original

aggregate principal amount of $17,629, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Local Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

7. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Local Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that such interest is included in the adjusted current earnings of a corporation for the purpose of claiming alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Governmental Agency comply, on a continuous basis, with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Local Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Governmental Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Local Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Local Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Local Bonds.

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

We have examined the executed and authenticated Local Bond No. R-1, and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE

Bowles Rice McDavid Graff & Love

CHS/50174.1

shall include any amounts resulting from the investment of proceeds of the Notes, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Notes and is not acquired in order to carry out the governmental purpose of the Notes.

"Noteholder" or "Holder of the Notes" or "Holder" or "Registered Owner" or any similar term means any person who shall be the registered owner of any Outstanding Note or Notes.

"Notes" means the not more than $385,000 aggregate principal amount of the Issuer's Water Refunding Bond Anticipation Notes, Series 2001 A, originally authorized hereby.

"Notes Legislation" or "Resolution" means this Notes Resolution and all orders. ordinances and resolutions supplemental hereto or amendatory hereof.

"Notes Payment Fund" means the Notes Payment Fund established by Section 4.02 hereof.

"Notes Proceeds Fund" means the Notes Proceeds Fund established by Section 4.01 hereof.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation 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 Original Purchaser, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, 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 Series 1993 A Bonds, the Series 1993 B Bonds, the Series 1996 Bonds, the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Purchaser" means Branch Banking and Trust Company, which is expected to be the original purchaser and Registered Owner of the Notes.

"Outstanding," when used with reference to Notes and as of any particular date, describes all Notes theretofore and thereupon being delivered except (a) any Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); and (b) any Note that has been paid in full.

"Paying Agent" means Branch Banking and Trust Company or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

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

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

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

"Secretary" means the Secretary of the Issuer.

"Series 1976 Bond" means the Issuer's Water Revenue Bond, Series 1976, issued on January 17, 1978, in the original aggregate principal amount of $620,000.

"Series 1993 A Bonds" means the Issuer's Water Revenue Bonds, Series 1993 A, issued on March 8, 1993, in the original aggregate principal amount of $528,871.

"Series 1993 B Bonds" means the Issuer's Water Revenue Bonds, Series 1993 B, issued on March 8, 1993, in the original aggregate principal amount of $17,629.

"Series 1996 Bonds" means the Issuer's Water Revenue Bonds, Series 1996, issued on August 6, 1996, in the original aggregate principal amount of $677,158.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer amending or supplementing this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Notes, provided, that any maker intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues, if any, not required by any prior bond or notes resolution to be set aside and held for the payment of or security for any outstanding bonds or notes of the Issuer, including any reserve or depreciation accounts.

"System" means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Words importing singular number include the plural number in each case and vice versa; words importing the masculine gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution, together with any resolution supplemental hereto or amendatory hereof, is adopted pursuant to the provisions of the Act and other applicable provisions of the law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State of West Virginia in Berkeley County of said State. The Issuer currently owns and operates a public water system.

B. By orders of The County Commission of Berkeley County, West Virginia, the Issuer, the Berkeley County Public Service District and the Public Service Commission of West Virginia, it has been ordered and directed that the Issuer, along with Opequon Public Service District, be merged with and into the Berkeley County Public Service District, with the Berkeley County Public Service District being the surviving entity (the "Surviving Entity"), said merger to be effective July 1, 2001 (the "Merger").

C. In order to avoid the expense and possible delays associated with obtaining the consent of the Rural Utilities Service, as holder of the Series 1976 Bond, to the Merger and the related assumption by the Surviving Entity of the Series 1976 Bond, it is deemed necessary for the Issuer to issue its Notes, in an aggregate principal amount of not more than $385,000, to temporarily finance the costs of refunding the Series 1976 Bond and a portion of the costs of issuance of the Notes and related costs.

D. It is in the best interests of the Issuer that its Notes be sold to the Original Purchaser.

E. There are no outstanding bonds or other obligations of the Issuer which will rank senior and prior to or on a parity with the Notes as to liens, pledge and source of and security for payment with respect to the Net Revenues of the System other than the Series 1993 A Bonds, the Series 1993 B Bonds and the Series 1996 Bonds, which will each rank senior and prior to the Notes, provided that, subsequent to the Merger, the outstanding water revenue bonds of the Berkeley County Public Service District and the Opequon Public Service District will also rank senior and prior to the Notes. The Notes shall be payable only from and secured by a first lien on (1) the proceeds of any grants received by the Issuer for the System; (2) the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), issued subsequent to the issuance of the Notes (other than the BCPSD Bonds described below); and (3) Surplus Revenues, if any. The Issuer has no obligations outstanding which are payable from any source from which the Notes are payable.

In the event any grants are received for the System or any revenue bonds (other than the BCPSD Bonds described below), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger) are issued, the Issuer (or the Surviving Entity after the Merger) shall pay the entire outstanding principal of and interest accrued to the date of payment of the Notes from the proceeds thereof. In the event that no grants have been received and no revenue bonds or other obligations of the Issuer (or the Surviving Entity after the Merger)(other than the BCPSD Bonds described below) have been issued sufficient to pay the Notes in full by the maturity date of the Notes, the Issuer (or the Surviving Entity after the Merger) agrees to use its best efforts to obtain approval of the Public Service Commission of West Virginia to increase its rates in a manner sufficient to pay the principal of and interest on the Notes from Surplus Revenues within a reasonable period of time.

F. The Issuer contemplates that the Surviving Entity will issue its water revenue bonds after the Merger to finance the costs of the project that has been initiated by the Issuer within the Issuer's service area, which project includes a new water tank and other improvements to the System, and, as part of said issue, the Issuer contemplates that the Surviving Entity will also issue a sufficient amount of water revenue bonds to pay in full the Notes.

G. The Issuer also contemplates that the Surviving Entity will issue its water revenue bonds after the Merger to finance the costs of a project that has been initiated by the Berkeley County Public Service District within its service area (the "BCPSD Bonds"). The proceeds of the BCPSD Bonds will not be pledged or applied to the payment of the Notes and the BCPSD Bonds will be senior and prior to the Notes after the Merger.

H. The Issuer has complied with all requirements of West Virginia law relating to the authorization of the issuance of the Notes, or will have so complied prior to issuance of the Notes, including the obtaining of approval of the issuance of the Notes from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

I. Pursuant to the Merger, the Surviving Entity will assume the obligations of the Issuer with respect to the Notes without the necessity of obtaining the consent or authorization of the Original Purchaser or any other Holder of the Notes, said consent and authorization having been given as a condition to the acceptance of the Notes.

Section 1.04. Notes Legislation Constitutes Contract. In consideration of the acceptance of the Notes by those who shall be Registered Owners of the same from time to time, this Notes Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of the Notes.

ARTICLE II

AUTHORIZATION OF THE REFUNDING OF THE SERIES 1976 BOND

Section 2.01. Authorization of the Refunding of the Series 1976 Bond. There is hereby authorized and ordered the refunding of the Series 1976 Bond, at an estimated cost of not to exceed $385,000, which includes costs related to the issuance of the Notes.

ARTICLE III

THE NOTES

Section 3.01. Authorization of the Notes. For the purposes of temporarily financing the costs of refunding the Series 1976 Bond and paying a portion of the costs of issuance of the Notes and related costs, there shall be and hereby are authorized to be issued the Water Refunding Bond Anticipation Notes, Series 2001 A, of the Issuer, in an aggregate principal amount of not more than $385,000.

Section 3.02. Terms of Notes. The Notes shall be issued in fully registered form and shall be initially issued as one Note, numbered R-1, in the principal amount of not to exceed $385,000. The Notes shall be dated such date, shall bear interest at such rate or rates, not exceeding the then legally permissible limit on such date or dates; shall mature on such date or dates and in such amounts; and shall be subject to such repayment or redemption, all as provided in the Supplemental Resolution or the Notes.

The aggregate principal amount of the Notes shall paid to the Issuer upon delivery of the Notes and applied first to pay the Series 1976 Bond in full and the balance of the proceeds of the Notes shall be applied to the costs of issuance of said Notes.

The Notes shall be payable as to principal and interest at the principal office of the Paying Agent in any coin or currency which, on the dates of payment, is legal tender for the payment of public and private debts under the laws of the United States of America.

Section 3.03. Execution and Authentication of Notes. The Notes shall be executed in the name of the Issuer by the manual signature of its Chairperson and the seal of the Issuer shall be affixed thereto, and attested by the manual signature of the Secretary of the Issuer. In case any one or more of the officers who shall have signed or sealed any of the Notes shall cease to be such officer of the Issuer before the Notes so signed and sealed shall have been actually sold or 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 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 of the Issuer, although at the date of such Notes such person may not have held such office or may not have been so authorized.

No Note shall be valid or entitled to any security or benefit under this Resolution unless and until the certificate of authentication and registration on such Note shall have been duly manually executed by the Registrar, and such executed certificate of the Registrar upon any such Note shall

be conclusive evidence that such Note has been authenticated, registered and delivered under this Notes Legislation. The certificate of authentication and registration shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication and registration on all of the Notes issued hereunder.

Section 3.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Notes shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Notes, shall be conclusively deemed to have agreed that said 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.

So long as any of the Notes remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Notes. The Notes shall be transferrable only upon the books of the Registrar which shall be kept for that purpose at the office of the Registrar by request of the registered owner thereof in person or by his attorney duly authorized in writing, and upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of a Note, there shall be issued to the transferee another fully registered Note or Notes of the aggregate principal amount equal to the unpaid amount of the transferred Note.

In all cases in which the privilege of transferring Notes is exercised, Notes shall be delivered in accordance with the provisions of this Resolution. All Notes surrendered in any such transfers shall forthwith be canceled by the Registrar. For every such transfer of Notes, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each new Note upon each transfer, and any other expenses of the Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The Registrar shall not be obliged to make any such transfer of Notes during the 15 days preceding an interest payment date on the Notes or after notice of any prepayment of the Notes has been given.

Section 3.05. Notes Mutilated, Destroyed, Stolen or Lost. In case any Note shall become mutilated or be destroyed, stolen or lost, the Issuer, may in its discretion, issue and deliver a new Note in exchange and substitution for such mutilated Note upon surrender and cancellation of such mutilated Notes or in lieu of and substitution for the Note destroyed, stolen or lost and upon the Holder's furnishing the Issuer proof of ownership thereof and 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. All Notes so surrendered shall be submitted to and canceled by the Registrar and held for the account of the Issuer. If 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 3.06. Form of Notes. The text of the Notes shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF NOTE)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
HEDGESVILLE PUBLIC SERVICE DISTRICT
WATER REFUNDING BOND ANTICIPATION NOTE, SERIES 2001 A

No. R-1 $385,000

KNOW ALL MEN BY THESE PRESENTS: That HEDGESVILLE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the sources and in the manner provided therefor, as hereinafter set forth, to Branch Banking and Trust Company or registered assigns, on the 29th day of December, 2001, the principal sum of Three Hundred Eighty-Five Thousand Dollars ($385,000.00), together with interest thereon at the rate of Four and Twenty-Seven One Hundredths percent (4.27%) per annum, said interest to be also payable on December 29, 2001.

The principal of this Note and the interest thereon are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of Branch Banking and Trust Company, Martinsburg, West Virginia (the "Paying Agent").

This Note may be redeemed prior to its stated date of maturity in whole at any time at the option of the Issuer without penalty.

This Note is issued (i) to temporarily finance the costs of refunding the Issuer's Water Revenue Bond, Series 1976, and (ii) to pay a portion of the costs of issuance hereof and related costs. 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 of the West Virginia Code of 1931, as amended (the "Act"), and a Notes Resolution duly adopted by the Issuer on June 28, 2001, and a Supplemental Resolution duly adopted by the Issuer on June 28, 2001 (collectively, the "Notes Legislation"), and is subject to all the terms and conditions thereof which are hereby incorporated herein by reference as if set forth herein verbatim.

The principal of this Note and the interest thereon are payable only from and secured by a first lien on (1) the proceeds of any grants received by the Issuer for the System; (2) the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger as such terms are defined below), issued subsequent to the issuance of this Note (other

than the BCPSD Bonds hereinafter described); and (3) Surplus Revenues (as defined in the Notes Legislation), if any. The moneys from these sources shall be deposited into the Notes Payment Fund established under the Notes Legislation for the prompt payment of the principal of this Note. In the event any grants are received for the System or any revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger as such terms are defined below) are issued, the Issuer shall pay the entire outstanding principal of and interest accrued to the date of payment of the Notes from the proceeds thereof. In the event that no grants have been received and no revenue bonds or other obligations of the Issuer (or the Surviving Entity after the Merger as such terms are defined below)(other than the BCPSD Bonds) have been issued sufficient to pay the Notes in full by the maturity date of the Notes, the Issuer agrees to use its best efforts to obtain approval of the Public Service Commission of West Virginia to increase its rates in a manner sufficient to pay the principal of and interest on the Notes from Surplus Revenues within a reasonable period of time.

This Note is subordinate, junior and subject to the Issuer's Water Revenue Bonds, Series 1993 A, issued on March 8, 1993, in the original aggregate principal amount of $528,871, the Issuer's Water Revenue Bonds, Series 1993 B, issued on March 8, 1993, in the original aggregate principal amount of $17,629, and the Issuer's Water Revenue Bonds, Series 1996, issued on August 6, 1996, in the original aggregate principal amount of $677,158. This Note will also be subordinate, junior and subject to the BCPSD Bonds hereinafter described and the outstanding water revenue bonds of the Berkeley County Public Service District and the Opequon Public Service District following the Merger hereinafter described.

By orders of The County Commission of Berkeley County, West Virginia, the Issuer, the Berkeley County Public Service District and the Public Service Commission of West Virginia, it has been ordered and directed that the Issuer, along with Opequon Public Service District, be merged with and into the Berkeley County Public Service District, with the Berkeley County Public Service District being the surviving entity (the "Surviving Entity"), said merger to be effective July 1, 2001 (the "Merger").

The Issuer contemplates that the Surviving Entity will issue its water revenue bonds after the Merger to finance the costs of the project that has been initiated by the Issuer within the Issuer's service area, which project includes a new water tank and other improvements to the System, and, as part of said issue, the Issuer contemplates that the Surviving Entity will also issue a sufficient amount of water revenue bonds to pay in full this Note.

The Issuer also contemplates that the Surviving Entity will issue its water revenue bonds after the Merger to finance the costs of a project that has been initiated by the Berkeley County Public Service District within its service area (the "BCPSD Bonds"). The proceeds of the BCPSD Bonds will not be pledged or applied to the payment of this Notes and the BCPSD Bonds will be senior and prior to this Note after the Merger.

Pursuant to the Merger, the Surviving Entity will assume the obligations of the Issuer with respect to this Note without the necessity of obtaining the consent or authorization of the Holder hereof, said consent and authorization of the Holder hereof having been given as a condition to the acceptance of this Note.

This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Issuer be obligated to pay the same except from the sources set forth above. Under the Notes Legislation, the Issuer has entered into certain covenants with the holders hereof, for the terms of which reference is made to the Notes Legislation. Remedies provided the holders hereof are exclusively as provided in the Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth herein, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Notes Legislation, only by transfer of registration upon the books of Branch Banking and Trust Company, Martinsburg, West Virginia, as registrar (the "Registrar"), to be made at the request of the registered owner hereof in person or by his attorney duly authorized in writing, and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

All moneys received from the sale of this Note shall be applied solely to the payment of the costs of the refunding of the Issuer's Water Revenue Bond, Series 1976 and the costs of issuance and related costs described in the Notes Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Note.

This Note is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Under the Act, this Note is exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at 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 Notes, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

This Note shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, HEDGESVILLE PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated _____, 2001.

[SEAL]

_____
Chairperson

Attest:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Note is one of the Notes described in and issued under the provisions of the within-mentioned Notes Legislation and has been duly registered in the name of the registered owned set forth above.

Date:_____.

BRANCH BANKING AND TRUST COMPANY,
Registrar

_____
Authorized Officer

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within-mentioned Note and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Note on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____.

_____

IN THE PRESENCE OF:

_____

Section 3.07. Sale of Notes. The Notes shall be sold to the Original Purchaser with, or as soon as practicable and authorized and permitted by applicable law after, the adoption of the Supplemental Resolution; provided, that the Original Purchaser and the Issuer shall have agreed to the purchase thereof.

Section 3.08. Advance of Principal of Notes. The Original Purchaser shall advance the proceeds of the Notes to the Issuer upon the issuance thereof and the Issuer shall apply said proceeds first to pay the costs of refunding the Series 1976 Bond, including without limitation the principal of and unpaid interest thereon, and the balance of said proceeds to the costs of issuance of the Notes and related costs. After payment of all such costs, any remaining Notes proceeds which have been advanced to the Issuer shall be transferred to the Notes Payment Fund and applied to the payment of the Notes.

Section 3.09. Pledge of Security for the Notes. The principal of and interest on the Notes shall be payable only from and secured by a first lien on (1) the proceeds of any grants received by the Issuer for the System; (2) the proceeds of any revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), issued subsequent to the issuance of the Notes; and (3) Surplus Revenues, if any, all of which are hereby pledged for such payment. In the event any grants are received for the System or any revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger) are issued, the Issuer (or the Surviving Entity after the Merger) shall pay the entire outstanding principal of and interest accrued to the date of payment of the Notes from the proceeds thereof. In the event that no grants have been received and no revenue bonds or other obligations of the Issuer (or the Surviving Entity after the Merger)(other than the BCPSD Bonds) have been issued sufficient to pay the Notes in full by the maturity date of the Notes, the Issuer agrees to use its best efforts to obtain approval of the Public Service Commission of West Virginia to increase its rates in a manner sufficient to pay the principal of and interest on the Notes from Surplus Revenues within a reasonable period of time.

Section 3.10. Notes Not to be Indebtedness of Issuer. The Notes shall be special obligations of the Issuer, payable solely from the sources described above. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as pledged therefor by this Resolution.

Section 3.11. Refunding of Notes. In the event proceeds of the grants for the System, proceeds of revenue bonds, refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), issued subsequent to the issuance of the Notes, and/or Surplus Revenues, are not sufficient or available on a timely basis to pay the Notes in full by the maturity date of the Notes, the Issuer covenants and agrees, at the direction of the Holders of the Notes, to issue and sell its refunding notes or bonds in an amount sufficient to pay the entire outstanding principal of and interest, if any, accrued on the Notes.

Section 3.12. Prohibition of Other Loans. So long as the Notes are outstanding, no bonds (other than the BCPSD Bonds), notes or other evidences of indebtedness shall be issued by the Issuer (or the Surviving Entity after the Merger) without the prior written consent of the Holders of the Notes; provided however, that the Issuer (or the Surviving Entity after the Merger) may issue refunding notes or bonds to pay the entire outstanding principal of and interest, if any, accrued on the Notes in full.

Section 3.13. Covenants with Holders of Notes. In order to secure the payment of the Notes, the Issuer hereby covenants and agrees with the Holders of the Notes, as follows:

A. The Issuer will not make or cause or permit to be made any application of the proceeds of the Notes except in accordance with the provisions of Section 4.01 hereof, or of any moneys held in the Notes Payment Fund except in accordance with the provisions of Section 4.02 hereof.

B. The Issuer will comply in all respects with the terms and provisions of any grant agreements applicable to the System and with all applicable State and federal laws and regulations governing the implementation of such grant agreements.

C. The Issuer will, in the event proceeds of the grants for the System and/or proceeds of revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), issued subsequent to the issuance of the Notes, are not sufficient or available to pay the Notes in full by the maturity date of the Notes, issue and sell its refunding notes or bonds and apply the proceeds of its refunding notes or bonds to the payment of the Notes in accordance with the provisions of Section 3.11 hereof.

Section 3.14. Required Notices to Holders of Notes. The Issuer will provide the Holders of the Notes, prompt written notice, appropriately documented, of any of the following events:

A. If the Issuer is unable or unsuccessful in obtaining permanent financing for the refunding of the Series 1976 Bond and the payment of the Notes;

B. Any suspension, termination or modification of any grant; or

C. The authorization by the Issuer of any additional indebtedness related to the System.

ARTICLE IV

FUNDS AND ACCOUNTS; APPLICATION OF NOTES PROCEEDS

Section 4.01. Establishment of Notes Proceeds Fund; Application of Notes Proceeds. There is hereby created and established with the Depository Bank, to be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from all other funds or accounts of the Issuer, the Notes Proceeds Fund. The moneys derived from the sale of the Notes shall be deposited with the Depository Bank in the Notes Proceeds Fund and applied solely to the payment of the costs of the refunding of the Series 1976 Bond and the costs of issuance and related costs, and until so expended, are hereby pledged as additional security for the Notes.

Section 4.02. Establishment of Notes Payment Fund. There is hereby created and established with the Commission, to be held by the Commission separate and apart from all other funds or accounts of the Commission and from all other funds or accounts of the Issuer, the Notes Payment Fund. Upon the issuance of the revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), an amount of the proceeds of such revenue bonds, refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger) sufficient to pay the entire outstanding principal of and interest accrued on the Notes in full shall be deposited in the Notes Payment Fund. Upon receipt of proceeds of any grant for the System, an amount of the proceeds of such grant sufficient to pay the entire outstanding principal of and interest accrued on the Notes in full shall be deposited in the Notes Payment Fund. In the event proceeds of such grant are not sufficient to pay the Notes in full, then all proceeds of such grant shall be deposited in the Notes Payment Fund to pay a portion of the Notes. All moneys deposited in the Notes Payment Fund shall be immediately paid to the Holders of the Notes in full payment of the entire outstanding principal of and interest accrued on the Notes. Until payment in full of the entire outstanding principal of and interest accrued on the Notes, all moneys deposited in the Notes Payment Fund shall be held in trust for the Holders of the Notes, and the Issuer shall have no rights with respect thereto except to receive the balance therein after payment of the Notes in full and the charges, if any, of the Paying Agent.

Any moneys remaining in the Notes Payment Fund, after the payment of the Notes in full and all charges of the Paying Agent, shall be returned to the Issuer to be used for any lawful purpose of the System.

Section 4.03. Investment of Funds. Pending application as provided above, any moneys held in the Notes Proceeds Fund and the Notes Payment Fund shall be invested and reinvested by the Depository Bank at the direction of the Issuer to the fullest extent possible under applicable law in Governmental Obligations, having maturities consonant with the required use thereof.

Section 4.04. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Notes or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it so that the interest on the Notes will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions, the result of which would adversely affect such exclusion.

Section 4.05. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Notes which would cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Notes) so that the interest on the Notes will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

ARTICLE V

DEFAULT AND REMEDIES

Section 5.01. Events of Default. Each of the following events shall constitute and "Event of Default" with respect to the Notes:

A. If default occurs in the due and punctual payment of the principal of or interest on any Note;

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes in this Resolution, any Supplemental Resolution, or in the Notes, as the case may be, contained, 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 any Holder, the Depository Bank, any other bank or banking association holding any fund or account hereunder; or

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

Section 5.02. Remedies. Upon the happening and continuance of any Event of Default, any 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 the Holders of the Notes including the right to require the Issuer to perform its duties under the Act and the Notes Legislation relating thereto, (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 Holders of the Notes, and (v) by action or bill in equity enjoin any acts in violation of the Notes Legislation with respect to the Notes, or the rights of the Holders of the Notes.

ARTICLE VI

[RESERVED]

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendment or Modification of Resolution. Prior to issuance of the Notes, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Notes, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Noteholders shall be made without the consent in writing of the Holders of the Notes then Outstanding; provided, that no change shall be made in the maturity of any Note or Notes or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Holder thereof.

Section 7.02. Resolution Constitutes Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the Holders of the Notes, and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 7.03. 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 or the Notes.

Section 7.04. 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 7.05. Conflicting Provisions Repealed. All resolutions, indentures or orders, or parts thereof, in conflict with the provision of this Resolution are, to the extent of such conflict, hereby repealed.

Section 7.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption and passage 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 Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.07 Effective Date. This Resolution shall take effect immediately upon adoption thereof.

Adopted this 28th day of June, 2001.

Boyd E. Both
Chairperson

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Governing Body of HEDGESVILLE PUBLIC SERVICE DISTRICT on June 28, 2001.

Dated: June 29, 2001.

[SEAL]

Secretary

HEDGESVILLE PUBLIC SERVICE DISTRICT

Water Refunding Bond Anticipation Notes, Series 2001 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, REDEMPTION PROVISION AND OTHER TERMS OF THE WATER REFUNDING BOND ANTICIPATION NOTES, SERIES 2001 A OF HEDGESVILLE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH NOTES TO BRANCH BANKING AND TRUST COMPANY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE NOTES.

WHEREAS, the public service board (the "Governing Body") of Hedgesville Public Service District (the "Issuer") has duly and officially adopted a Resolution, effective June 28, 2001 (the "Resolution") entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 1976 OF HEDGESVILLE PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE HEDGESVILLE PUBLIC SERVICE DISTRICT OF NOT MORE THAN $385,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING BOND ANTICIPATION NOTES, SERIES 2001 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Resolution when used herein;

WHEREAS, the Resolution provides for the issuance of the Water Refunding Bond Anticipation Notes, Series 2001 A (the "Notes"), of the Issuer, in the aggregate principal amount of not more than $385,000, for the purpose of temporarily financing the costs of the refunding of the Issuer's Water Revenue Bond, Series 1976, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Resolution, it is provided that the principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption

provision and other terms of the Notes should be established by a Supplemental Resolution thereto and that other matters relating to the Notes be therein provided for;

WHEREAS, the Notes are proposed to be purchased by Branch Banking and Trust Company pursuant to its Commitment Letter addressed to the Issuer dated June 5, 2001; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Notes be sold to Branch Banking and Trust Company, that the principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provision and other terms of the Notes be fixed hereby in the manner stated herein, and that other matters relating to the Notes be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF HEDGESVILLE PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Refunding Bond Anticipation Notes, Series 2001 A, of the Issuer, initially represented by a single Note, numbered R-1, in the principal amount of $385,000. The Notes shall be dated the date of delivery thereof and shall bear interest at the rate of 4.27% per annum, payable on the earlier of December 29, 2001, or the date of payment of the Notes. The entire outstanding principal shall be payable on December 29, 2001. The Notes shall be subject to redemption in whole at any time, at the option of the Issuer, without penalty.

Section 2. All other provisions of the Notes and the text of the Notes shall be in substantially the form provided in the Resolution with such changes, insertions and omissions that may be approved by the Chairman. The execution of the Notes by the Chairman shall be conclusive evidence of such approval.

Section 3. The Issuer hereby approves and accepts the offer of Branch Banking and Trust Company to purchase the Notes. The execution and delivery by the Chairman and Secretary of the Notes and the performance of the obligations contained therein on behalf of the Issuer are hereby authorized, approved and directed. Branch Banking and Trust Company shall advance the proceeds of the Notes upon issuance of the Notes in the amount of $385,000 (100% of par value) in the aggregate, there being no accrued interest thereon.

Section 4. The Issuer does hereby appoint and designate Branch Banking and Trust Company, Martinsburg, West Virginia, as Registrar (the "Registrar"), for the Notes.

Section 5. The Issuer hereby appoints and designates Branch Banking and Trust Company, Martinsburg, West Virginia, to serve as Paying Agent for the Notes under the Resolution.

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Hedgesville Public Service District on the 28th day of June, 2001.

Dated: June 29, 2001.

[SEAL]

Secretary

333 West Vine Street, Suite 1200
Lexington, Kentucky 40507
Telephone (859) 225-8700

101 South Queen Street
Martinsburg, West Virginia 25401
Telephone (304) 263-0836

7000 Hampton Center, Suite K
Morgantown, West Virginia 26505
Telephone (304) 285-2500

Bowles Rice
McDavid Graff & Love PLLC

ATTORNEYS AT LAW

600 Quarrier Street
Charleston, West Virginia 25301

Post Office Box 1386
Charleston, West Virginia 25325-1386
Telephone (304) 347-1100
www.bowlesrice.com

5th Floor, United Square
501 Avery Street
Parkersburg, West Virginia 26101
Telephone (304) 485-8500

3 West Piccadilly Street
Winchester, Virginia 22601
Telephone (540) 723-8877

June 29, 2001

Camden P. Siegrist
Telephone — (304) 347-1129
Facsimile — (304) 343-3058

E-mail Address:
csiegris@bowlesrice.com

Hedgesville Public Service District
Water Refunding Bond Anticipation Notes, Series 2001 A

Branch Banking and Trust Company
148 South Queen Street
Martinsburg, West Virginia 25401

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Hedgesville Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $385,000 Water Refunding Bond Anticipation Notes, Series 2001 A, dated the date hereof (the "Notes').

We have examined the law and certified copies of proceedings and other papers relating to the authorization of the Notes, which are to be purchased by the Branch Banking and Trust Company (the "Original Purchaser") in accordance with the provisions of its letter to the Issuer dated June 5, 2001. The Notes are originally issued in the form of one Note, registered as to principal and interest to the Original Purchaser, with interest at the rate of 4.27% per annum, and the entire outstanding principal of the Notes together with the interest accrued thereon shall be payable on December 29, 2001, all as set forth in the Notes and the Notes Legislation described below.

The 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 of the West Virginia Code of 1931, as amended (the "Act'), for the purposes of (i) temporarily financing the costs of refunding the Issuer's Water Revenue Bond, Series 1976; and (ii) paying costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Notes Resolution duly adopted by the Issuer on June 28, 2001, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 28, 2001 (collectively, the "Notes Legislation"), pursuant to and under which Act and Notes Legislation the Notes are authorized and issued. The 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 Notes Legislation. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Notes Legislation.

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, that:

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 corporate power and authority to adopt the Notes Legislation, to refund the Issuer's Water Revenue Bond, Series 1976, to operate and maintain the System referred to in the Notes Legislation, and to issue and sell the Notes, all under the Act and other applicable provisions of law.

2. The Notes Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer in accordance with their terms.

3. The Notes have been duly authorized, issued, executed and delivered by the Issuer to the Original Purchaser and are valid, legally enforceable and binding special obligations of the Issuer, payable only from and secured by a lien, on (1) the proceeds of any grants received by the Issuer for the System; (2) the proceeds of any revenue bonds (other than the BCPSD Bonds), refunding bonds or other obligations of the Issuer (or the Surviving Entity after the Merger), issued subsequent to the issuance of the Notes; and (3) Surplus Revenues, if any, all in accordance with the terms of the Notes and the Notes Legislation.

4. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Notes (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that such interest is included in the adjusted current earnings of a corporation for the purpose of calculating alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the Issuer comply, on a continuous basis, with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to

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OPEQUON PUBLIC SERVICE DISTRICT

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE OPEQUON PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF AND THE REFINANCING AND REFUNDING OF VARIOUS Prior Bonds OF THE OPEQUON PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE OPEQUON PUBLIC SERVICE DISTRICT OF NOT MORE THAN ELEVEN MILLION DOLLARS ($11,000,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1993; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1993 TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF OPEQUON 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 "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Enabling Act") and Chapter 13, Article 2E of the West Virginia Code of 1931, as amended (the "Refunding Act") (the Enabling Act and the Refunding Act are hereinafter collectively referred to as the "Act"), and other applicable provisions of law.

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

A. Opequon Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Berkeley County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing waterworks system, the Project and any further additions thereto or extensions thereof is herein called the "System") in accordance with the plans and specifications prepared by Acer Engineers & Consultants, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is also deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that the Prior Bonds, as hereinafter defined, be refinanced and refunded with the proceeds of the Original Bonds, as hereinafter defined, in order to effect the termination and release of certain restrictions, conditions and limitations imposed on the Issuer by the Prior Indenture in connection with the Prior Bonds.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

E. It is further deemed necessary for the Issuer to issue its Original Bonds in the total aggregate principal amount of not more than $11,000,000, in one series, being the Series 1993 Bonds (the "Original Bonds") to permanently finance the costs of acquisition and construction of the Project and to refinance and refund the Prior Bonds, as hereinafter defined. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1993 Bonds prior to and during construction and acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined, and, provided further, that all principal of and interest and redemption premium on the Prior Bonds, as well as all other costs relating to the refinancing and refunding of the Prior Bonds, and the

principal of and interest on the System Design Note shall also be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interest of the Issuer that its Original Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by a supplemental resolution.

H. There are no outstanding obligations of the Issuer which will rank either senior and prior to or on parity with the Bonds as to liens and sources of and security for payment, the Prior Bonds to be refinanced and refunded and the System Design Note to be fully satisfied simultaneously with the issuance of the Bonds.

I. Less than 50% of the proceeds of the Bonds will be used to refinance and refund the Prior Bonds.

J The Issuer has complied with all requirements of West Virginia law relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System, the refinancing and refunding of the Prior Bonds, and issuance of the Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Bonds or has been waived by all necessary parties.

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

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

"Act" means the Enabling Act and the Refunding Act.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the

Authority, which is expected to be the original purchaser of the Original Bonds, provided that the Issuer must satisfy the legal and other requirements of the Program.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.02 hereof.

"Bond Construction Trust Fund Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

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

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

"Bond Year" means each one-year period (or shorter period from the date of issuance of the Bonds) that ends at the close of business on October 1.

"Bonds" means the Original Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"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 Acer Engineers & Consultants, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Enabling Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Event of Default" means any occurrence or event specified in Section 9.01.

"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.

"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 Section 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Investment Property" shall mean any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code, obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Opequon Public Service District, in Berkeley County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the form of which is approved, and the execution and delivery by the Issuer are authorized and directed by Section 3.10 hereof and by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1993 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1993 Bonds Reserve Account, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1993 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Original Bonds and is not acquired in order to carry out the governmental purpose of the Original Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation 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, the Bond Construction Trust Fund Bank, Registrar and Paying Agent (all as herein defined), payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $11,000,000, in aggregate principal amount of Series 1993 Bonds issued for the purpose of permanently financing a portion of the Costs of the Project, refinancing and refunding the Prior Bonds, and for such other purposes permitted and authorized by this Bond Legislation.

"Outstanding," when used with reference to Bonds as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered

except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X and (iv) for purposes of consents or other action by a specified percentage of Bondholders, Bonds registered to the Issuer.

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

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means the Series A Bond, the Series B Bond and the Series C Bond.

"Prior Indenture" means the Trust Indenture dated as of March 1, 1962 from the Issuer to The Peoples Trust Company (now The Peoples National Bank of Martinsburg), as supplemented and amended, pursuant to which the Series A Bond, the Series B Bond and the Series C Bond have been issued.

"Prior Resolution" means the resolution of the Issuer adopted May 4, 1992, as supplemented by the Issuer on May 4, 1993, authorizing the System Design Note.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

"Refunding Act" means Chapter 13, Article 2E of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

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

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

"Series A Bond" means the Issuer's Water Revenue Bond, Series A, dated as of March 1, 1962, issued in the original principal amount of $430,000 of which approximately $184,000 is currently Outstanding.

"Series B Bond" means the Issuer's Water Revenue Bonds, Series B, dated as of March 1, 1970, issued in the original principal amount of $640,000 of which approximately $464,000 is currently Outstanding.

"Series C Bond" means the Issuer's Water Revenue Bonds, Series C, dated October 16, 1991, issued in the original principal amount of $372,000 of which approximately $290,000 is currently Outstanding.

"Series 1993 Bonds" means the not more than $11,000,000 in aggregate principal amount of Water Revenue Bonds, Series 1993, of the Issuer.

"Series 1993 Bonds Reserve Account" means the Series 1993 Bonds Reserve Account established in the Series 1993 Bonds Sinking Fund pursuant to Section 5.03 hereof.

"Series 1993 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1993 Bonds in the then current or any succeeding year.

"Series 1993 Bonds Sinking Fund" means the Series 1993 Bonds Sinking Fund established by Section 5.03 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance 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 Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, as further defined in Section 5.04(B) hereof.

"System" means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

"System Design Note" means the Issuer's Waterworks System Design Notes, Series 1992, dated May 4, 1992, issued in the original aggregate principal amount of $165,000 of which approximately $165,000.00 is currently Outstanding.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $9,414,887 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1993 Bonds, funding a reserve account for the Series 1993 Bonds, paying Costs of the Project not otherwise provided for, refinancing and refunding the Prior Bonds and thereby discharging the Prior Indenture, paying the System Design Note to permanently finance the Costs of the Project paid with the proceeds thereof and thereby discharging the Prior Resolution and paying certain costs of issuance of the Original Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $11,000,000. Said Original Bonds shall be issued in one series to be designated "Water Revenue Bonds, Series 1993," in the aggregate principal amount of not more than $11,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Bonds remaining after the funding of the Reserve Account (if funded from the Bond proceeds), capitalization of interest, if any, and refinancing and refunding the Prior Bonds, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

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

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

Section 3.03. Execution of Bonds. The Bonds 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 any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

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

satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Reserve Account. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Series 1993 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Fund, the Reserve Account therein, and the Renewal and Replacement Fund, either existing or

hereinafter established are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Original Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof;

[Form of Series 1993 Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BOND,
SERIES 1993

No. R-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That OPEQUON PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Berkeley 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 ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1993. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 1993.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); (ii) to refinance and refund certain prior obligations of the Issuer; (iii) to pay a portion of the interest on the Bonds during the construction of the Project and for not more than six

(6) months thereafter; and (iv) to pay certain costs of issuance hereof and related costs. The existing waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 1993 and a Supplemental Resolution duly adopted by the Issuer on _____, 1993 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1993 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1993 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds provided however, that so long as there exists in the Series 1993 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the

surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project and the refinancing and refunding described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, OPEQUON PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 19_____.

OPEQUON PUBLIC SERVICE DISTRICT

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1993 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By_____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, 19_____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Original Bonds 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 in the form attached hereto as "Exhibit B" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.11. "Amended Schedule A" Filing. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

AUTHORIZATION OF REFINANCING AND REFUNDING OF PRIOR BONDS

Section 4.01. Authorization of Refinancing and Refunding of Prior Bonds. There is hereby authorized, pursuant to the Refunding Act and other provisions of law, the refinancing and refunding of the Prior Bonds at an estimated cost of $843,069. The Prior Bonds, or any portion thereof, may be paid in full upon the issuance of the Original Bonds with proceeds of the Original Bonds or such proceeds may be placed into escrow in a manner such that the principal of and interest on such escrowed proceeds shall be sufficient to pay the principal of and interest on the Prior Bonds, or any part thereof, as the same become due and payable, all as may be provided in the Supplemental Resolution. Without limiting the generality of the foregoing, the payment of the principal, interest and redemption premium, if any, required to refinance and refund the Prior Bonds is hereby authorized and directed in order to cause the Prior Indenture and the lien thereof to be discharged and released simultaneously with the issuance of the Original Bonds. In connection therewith, the Governing Body of the Issuer specifically determines that one of the purposes of issuing the Original Bonds is to effect the release and termination of certain restrictions, conditions and limitations imposed on the Issuer by the Prior Indenture in connection with the Prior Bonds. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

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 created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

1. Revenue Fund;

2. Operation and Maintenance Fund;

3. Renewal and Replacement Fund; and

4. Rebate Fund.

Section 5.02. Establishment of Bond Construction Trust Fund with Bond Construction Trust Fund Bank. The Bond Construction Trust Fund is hereby established with and shall be held by the Bond Construction Trust Fund Bank separate and apart from all other funds or accounts of the Bond Construction Trust Fund Bank.

Section 5.03. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

1. Series 1993 Bonds Sinking Fund;

2. Within the Series 1993 Bonds Sinking Fund, the Series 1993 Bonds Reserve Account.

Section 5.04. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

1. The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount determined by the Governing Body in accordance with its budget, to be necessary and sufficient to pay current Operating Expenses.

2. The Issuer shall next (i) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1993 Bonds for which interest has not been capitalized, apportion and set apart out of the

Revenue Fund and remit to the Commission, for deposit in the Series 1993 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1993 Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1993 Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and simultaneously (ii) on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1993 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1993 Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

3. The Issuer shall next on the first day of each month, commencing the month following the completion of the Project, if not fully funded upon issuance of the Series 1993 Bonds, simultaneously apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1993 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1993 Bonds Reserve Requirement.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, commencing the month following the completion of the Project, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1993 Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1993 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1993 Bonds as the same shall become due. Moneys in the Series 1993 Bonds Reserve Account shall be

used only for the purpose of paying principal of and interest on the Series 1993 Bonds, as the same shall come due, when other moneys in the Series 1993 Bond Sinking Fund are insufficient therefor, and for no other purpose except for permitted transfers to the Rebate Fund.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Sinking Fund and Reserve Account shall be returned, not less than once each year on the 1st day of October, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Original Bonds, and then to the next ensuing principal payment due thereon.

Except with respect to transfers to the Rebate Fund, any withdrawals from the Series 1993 Bonds Reserve Account which result in a reduction in the balance of the Series 1993 Bonds Reserve Account to below tne Series 1993 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 1993 Bonds Sinking Fund for payment of debt service on the Series 1993 Bonds.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in a amount equal to the maximum provided and required to be paid into the concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 1993 Bonds Sinking Fund, or into the Series 1993 Bonds Reserve Account therein when the aggregate amount of funds in said Sinking Fund and Series 1993 Bonds Reserve Account are at least equal to the aggregate principal amount of the Series 1993 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with

appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1993 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund, the Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Renewal and Replacement Fund and the Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

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

A. From the proceeds of the Series 1993 Bonds, there shall first be deposited with the Commission in the Series 1993 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1993 Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1993 Bonds, there shall be deposited with the Commission in the Series 1993 Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1993 Bonds Reserve Account.

C. Next from the proceeds of the Series 1993 Bonds, there shall be paid to Holders of the Prior Bonds and/or an escrow agent, as provided in the Supplemental Resolution, the sum necessary to refinance and refund the Prior Bonds, including any accrued interest and redemption premiums thereon.

D. Next, from the proceeds of the Series 1993 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, together with interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer, including, without limitation, the System Design Note.

E. The remaining moneys derived from the sale of the Bonds shall be deposited with the Bond Construction Trust Fund Bank in the Bond Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02.

F. The Bond Construction Trust Fund Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1993 Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly. Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Bond Construction Trust Fund Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

In any case any contract provides for the retention of a portion of the contract price, the Bond Construction Trust Fund Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Bond Construction Trust Fund Bank to be made for the purposes set forth in said certificate, and the Bond Construction Trust Fund Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Bond Construction Trust Fund Bank written statements advising the Bond Construction Trust Fund Bank of its then authorized representative.

Pending such application, moneys in Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Bond Construction Trust Fund Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Depository Bank for deposit in the Series 1993 Bonds Reserve Account, and when fully funded the Depository Bank shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payment, due on the Series 1993 Bonds and thereafter to the next ensuing principal payment due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

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

Section 7.03. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1993 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System, a copy of which is attached hereto as Exhibit C and incorporated herein, shall be as set forth and approved and described in the Recommended Decision entered July 14, 1993, by Thomas N. Trent, Administrative Law Judge, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on July 21, 1993 (Case No. 93-0094-PWD-CN), and such rates are hereby adopted.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Fund,

and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Original Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Original Bonds are Outstanding, the Issuer

shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Original Bonds. All obligations issued by the Issuer after the issuance of the Original Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1993 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Funds, Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Original Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Original Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds.

A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1993 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and

source of and security for payment from such revenues, with the Series 1993 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Original Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

C. The amount of any Bonds or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit in the Reserve Account and reserve accounts for obligations on a parity with the Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget and Audit. 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. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for

the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the service of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and the Issuer shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $200,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR: AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and

such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code Chapter 38, Article 2, Section 39.

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such 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. 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 interest may appear.

C. Prior to handling any funds of the Issuer, the Treasurer of the Issuer shall furnish bond in the amount of $25,000 for the use and benefit of the Issuer.

Section 7.15. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Bonds used for a Private Business Use shall be used for a Private Business Use

related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1993 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion. The Issuer shall deliver or cause the Consulting Engineer to deliver all certificates required by the Loan Agreement, including without limitation the certificates required by Sections 4.1(b)(xviii) and 6.8 of the Loan Agreement.

Section 7.17. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of the Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, the Bond Construction Trust Fund Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys 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 moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account, except as otherwise provided with respect to the Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, the Bond Construction Trust Fund Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, the Bond Construction Trust Fund Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank and the Bond Construction Trust Fund Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year during which the respective banks hold any such funds, accounts or investments (or more often if 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 Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Original Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Original Bonds) so that the interest on the

Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such

rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Original Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority.

The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Original Bonds from time to time as the Authority may request.

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 Bonds:

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

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

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

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

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

rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of any Bonds, shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1993 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1993 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1993 Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1993 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1993 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1993 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1993 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1993 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Original Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this 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 Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. 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.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, Secretary and

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

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of the Issuer, a Class II legal advertisement stating:

(1) The respective maximum amounts of the Bonds to be issued;

(2) The respective maximum interest rates and terms of the Bonds originally authorized hereby;

(3) The public service properties to be acquired or constructed and the cost of the same;

(4) The maximum anticipated rates which will be charged by the Issuer; and

(5) The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

Adopted this 28th day of July, 1993.

Chairman, Public Service Board

Member, Public Service Board

Members, Public Service Board

Exhibit A

DESCRIPTION OF PROJECT

The acquisition of an existing water intake facility on the Potomac River near the area known as Falling Waters, Berkeley County, West Virginia, enlargement of the water intake facility, construction of a new water treatment and storage facility by the Issuer near Falling Waters, construction of water storage facilities near Martinsburg, Berkeley County, West Virginia and near the area known as Marlowe, Berkeley County, West Virginia, and acquisition of certain water distribution facilities from the Berkeley County Public Service District, together with all appurtenant facilities.

Exhibit B

LOAN AGREEMENT

[See Transcript Document No. 3]

Exhibit C

SCHEDULE OF RATES AND CHANGES

157632.1

OPEQUON PUBLIC SERVICE DISTRICT - WATER
CASE NO. 93-0094-PWD-CN

Approved Rates

APPLICABILITY
Applicable within entire territory served.

AVAILABILITY
Available for general domestic and commercial service.

RATES
First 5,000 gallons used per month $5.72 per 1,000 gallons
All Over 5,000 gallons used per month $4.30 per 1,000 gallons

AVAILABILITY
Available for general industrial service.

RATES
$3.05 per 1,000 gallons used per month.

No bill will rendered for less than the following amount, according to the size of the meter installed:

5/8 inch meter	$ 17.16 per month
1 inch meter	42.90 per month
1-1/2 inch meter	85.50 per month
2 inch meter	137.30 per month
3 inch meter	257.40 per month
4 inch meter	429.00 per month
6 inch meter	858.00 per month

SERVICE CONNECTION CHARGE
$300.00

RECONNECTION CHARGE
$20.00

DELAYED PAYMENT PENALTY
The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

OPEQUON PUBLIC SERVICE DISTRICT - WATER
CASE NO. 93-0094-PWD-CN

Approved Rates

PRIVATE FIRE PROTECTION:

1. Fire hydrants shall pay an annual rental of $88.00 per unit.
2. Fire hose connections (simplex or duplex) shall pay an annual rental of $58.67 per unit.
3. Sprinkler systems shall pay an annual rental of $88.00 plus $0.29 per sprinkler unit.

SEASONAL AND TEMPORARY WATER USERS:

1. Vacation homes, cottages, trailers, or other temporary and seasonal users shall make application for special water use in accordance with Rule 4.1B. Also, the user shall notify the District each year when they desire to have the water service either turned off in the fall or turned on in the spring.

Special Charges Applicable to Temporary or Seasonal Water users:

1. At the time of filing an application for service: (a) the applicant shall make a security deposit to the District in the amount of $50.00. The security deposit shall be maintained until permanent discontinuance of the service; and (b) the applicant shall pay the service connection charges.

2. The user shall forfeit the total security deposit, if the District can show that the user tampered with the water meter or any other District property.

The District shall pay the higher of 5% or the current prevailing annual interest rate on the residual amount of the security deposit. In January of each year, the District will advise each special user of the status of their account. If interest if due, it will accompany the statement; if monies are due, payment must be made within thirty (30) days of the date of the bill/statement.

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of OPEQUON PUBLIC SERVICE DISTRICT on the 28th day of July, 1993.

Dated: July 29, 1993.

Secretary, Public Service District

[SEAL]

157632.1

OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1993

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1993 OF OPEQUON PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, BOND CONSTRUCTION TRUST FUND BANK, AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Opequon Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective July 28, 1993, (the "Bond Resolution") entitled:

BOND RESOLUTION

AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE OPEQUON PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF AND THE REFINANCING AND REFUNDING OF VARIOUS PRIOR OBLIGATIONS OF THE OPEQUON PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE OPEQUON PUBLIC SERVICE DISTRICT OF NOT MORE THAN ELEVEN MILLION DOLLARS ($11,000,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH WATER REVENUE BONDS, SERIES 1993; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE OF SUCH WATER REVENUE BONDS, SERIES 1993 TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $11,000,000 to be issued in one series, the Series 1993 Bonds to be in an aggregate principal amount of not more than $11,000,000 (the "Series 1993 Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1993 Bonds dated July 29, 1993 (sometimes referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Enabling Act") and Chapter 13, Article 2E of the West Virginia Code of 1931, as amended (the "Refunding Act") (the Enabling Act and the Refunding Act are hereinafter collectively referred to as the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, maturity dates, interest rate, interest and principal payment dates, sale price and other terms of the Series 1993 Bonds should be established by a supplemental resolution pertaining to the Series 1993 Bonds; and that other matters relating to the Series 1993 Bonds be herein provided for;

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

WHEREAS, the Series 1993 Bonds are 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 and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the price, the maturity dates, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1993 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1993 Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF OPEQUON PUBLIC SERVICE DISTRICT:

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

(A) The Water Revenue Bonds, Series 1993 of the Issuer, originally represented by a single bond, numbered R-1, in the principal amount of $10,257,957. The Series 1993 Bonds shall be dated the date of delivery thereof, shall finally mature on April 1, 2033, shall bear interest at the rate of 6.75% per annum payable semi-annually on April 1 and October 1 of each year, first interest payable October 1, 1993, shall be subject to redemption upon the consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise

in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1993 Bonds, and shall be payable in installments of principal on October 1 (except the final principal installment which shall be due on April 1, 2033) of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

Section 2. All other provisions relating to the Series 1993 Bonds and the text of the Series 1993 Bonds shall be in substantially the form provided in the Series 1993 Bond Resolution.

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint and designate The Peoples National Bank of Martinsburg, West Virginia, Martinsburg, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Bond Construction Trust Fund Bank under the Bond Resolution.

Section 8. The Series 1993 Bonds proceeds in the amount of $375,000 shall be deposited in a Series 1993 Bonds Sinking Fund as capitalized interest.

Section 9. The Series 1993 Bonds proceeds in the amount of $-0- shall be deposited in a Series 1993 Bonds Reserve Account.

Section 10. The Series 1993 Proceeds in the amount of $843,069.38 shall be disbursed as follows in order to refinance and refund the Prior Bonds:

A. $187,492.20 shall be disbursed to General Electric Capital Asset Management Corporation as holder of the Series A Bond, in full satisfaction of all amounts owing with respect to the Series A Bond and to retire the Series A Bond on the date hereof.

B. $408,312.80 shall be disbursed to the United States Department of Commerce, Economic Development Administration, as holder of the Series B Bond, in full satisfaction of all amounts owing with respect to the Series B Bond and to retire the Series B Bond on the date hereof.

C. $247,264.38 to The Peoples National Bank of Martinsburg, West Virginia, in full satisfaction of all amounts owing with respect to the Series C Bond and to retire the Series C Bond on the date hereof.

D. After disbursement of the foregoing funds as set forth in this Section 10, the Chairman is authorized and directed to take all actions as may be necessary to cause the discharge of the Prior Indenture, the foregoing disbursements having defeased all of the Prior Bonds.

Section 11. The remaining proceeds of the Series 1993 Bonds shall be deposited in the Bond Construction Trust Fund for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost and issuance of the Series 1993 Bonds. The repayment of the aforesaid temporary bank loans shall include the disbursement of the sum of $165,000 to Old National Bank, Martinsburg, West Virginia to pay the System Design Note and thereby discharge the Prior Resolution.

Section 12. The Issuer hereby determines to pay, on the date of delivery of the Series 1993 Bonds and receipt of proceeds thereof, all borrowings, if any, of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the cost of the Project, including, but not limited to, all borrowings from the West Virginia Water Development Authority and the System Design Note as referenced in Section 11 above.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 1993 Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1993 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about July 29, 1993.

Section 14. The acquisition and construction of the Project and the permanent financing of the Costs thereof and the refinancing and refunding of the Prior Bonds with the proceeds of the Series 1993 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in time deposits of the Depository Bank meeting the requirements set forth under the definition of "Qualified Investments" in the Bond Resolution and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits, until further directed by the Issuer. The Issuer further determines that it is in the best interest of the Issuer to invest all monies in the Bond Construction Trust Fund in seven-day repurchase agreements fully secured by Government Obligations, as defined in the Bond Resolution, and therefore the Issuer directs the Bond Construction Trust Fund Bank to take such actions as may be necessary to cause such monies to be invested in such seven-day repurchase agreements until further directed by the Issuer. Monies in the Sinking Fund for the Series 1993 Bonds shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

Section 16. The Issuer shall not permit at any time or times any of the proceeds of the Series 1993 Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 1993 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "Private Activity Bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and treasury regulations promulgated or to be promulgated thereunder.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 28th day of July, 1993.

OPEQUON PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of OPEQUON PUBLIC SERVICE DISTRICT on the 28th day of July 1993.

Dated: July 29, 1993.

[SEAL]

Secretary, Public Service Board

157735.1

BOWLES RICE
McDAVID GRAFF & LOVE

ATTORNEYS AT LAW

206 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-296-2500
FACSIMILE 304-296-2513

601 AVERY STREET
POST OFFICE BOX 48
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500
FACSIMILE 304-485-7973

WRITER'S DIRECT DIAL NUMBER

16TH FLOOR COMMERCE SQUARE • LEE STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
FACSIMILE 304-343-2867

105 W. BURKE STREET
POST OFFICE DRAWER 1419
MARTINSBURG, WEST VIRGINIA 25401-1419
TELEPHONE 304-263-0836
FACSIMILE 304-267-3822

July 29, 1993

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

RE: Opequon Public Service District
Water Revenue Bonds, Series 1993

Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Opequon Public Service District (the "Governmental Agency"), a public corporation and political subdivision of the State of West Virginia, of its $10,257,957 Water Revenue Bonds, Series 1993, dated the date hereof (the "Local Bonds").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated July 29, 1993, 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 Local Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of $10,257,957, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1993, at the rate of 6.75% per annum and with principal payable in installments on October 1 in each of the years 1995 through 2032, inclusive, with the final principal installment due on April 1, 2033, all as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Governmental Agency (the "Project"), (ii) refinancing and refunding certain prior obligations of the Governmental Agency, (iii) paying a portion of the interest on the Local Bonds during the construction of the Project and for not more than six (6) months thereafter, and (iv) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Governmental Agency on July 28, 1993, as supplemented by a Supplemental Resolution duly adopted on July 28, 1993 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued and the Loan Agreement has been

undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

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

6. The Local Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

7. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Local Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that such interest is included in the adjusted current earnings of a corporation for the purpose of calculating alternative minimum tax. The opinions set forth in the preceding

sentences are subject to the condition that the Governmental Agency comply, on a continuous basis, with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Local Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Governmental Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Local Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Local Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Local Bonds.

8. The Prior Bonds and the System Design Note, as such terms are defined in the Local Act, have been paid and the respective liens of the Prior Indenture and the Prior Resolution, as such terms are defined in the Local Act, have been discharged.

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

We have examined the executed and authenticated Local Bond No. R-1, and are of the opinion that the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE

Bowles Rice McDavid Graff & Love

157740.1

OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE OPEQUON PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE OPEQUON PUBLIC SERVICE DISTRICT OF NOT MORE THAN THREE MILLION THREE HUNDRED THIRTY-NINE THOUSAND NINETY DOLLARS ($3,339,090.00) IN AGGREGATE PRINCIPAL AMOUNT OF OPEQUON PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF OPEQUON 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 "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A 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. Opequon Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Berkeley County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements to the Issuer's existing public waterworks system, including the additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing waterworks system, the Project and any further additions thereto or extensions thereof is herein called the "System") in accordance with the plans and specifications prepared by Acer Engineers & Consultants, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is also deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that the Bond Anticipation Notes, as hereinafter defined, currently outstanding in the approximate amount of $35,000, together with all interest accrued thereon, be repaid with a portion of the proceeds of the water revenue bonds authorized herein and that there be paid from a portion of the proceeds of such water revenue bonds the remaining costs of certain prior extensions, additions, betterments and improvements to the Issuer's existing waterworks system in an amount not to exceed $295,000, such prior extensions, additions, betterments and improvements being more particularly described in Exhibit B hereto (collectively, the "Prior Project").

D. The Issuer currently has outstanding its Water Revenue Bonds, Series 1993 (the "Prior Bonds") issued in the original principal amount of $10,257,957, authorized pursuant to the Bond Resolution adopted by the Issuer on July 28, 1993, as supplemented and amended (the "Prior Resolution").

E. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

F. The estimated maximum cost of the construction and acquisition of the Project, the payment and refunding of the Bond Anticipation Notes, as hereinafter defined, the payment of the remaining costs of the Prior Project and issuance of the Series 1997 Bonds, as hereinafter defined, is $3,339,090, which will be permanently financed with the proceeds of the Issuer's Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund) (the "Series 1997 Bonds") authorized herein.

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 1997 Bonds and the Prior

Bonds, and all sinking funds, reserve accounts and other payments provided for herein and in the Prior Resolution.

H. It is further deemed necessary for the Issuer to issue the Series 1997 Bonds in the total aggregate principal amount of not more than $3,339,090, initially to be represented by a single bond, to permanently finance the costs of acquisition and construction of the Project, the payment of the Bond Anticipation Notes, as hereinafter defined, the payment of such remaining costs of the Prior Project and the costs of issuing the Series 1997 Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon such Series 1997 Bonds, if any, prior to and during construction and acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1997 Bonds Reserve Account, as hereinafter defined; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of such Series 1997 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of such Series 1997 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

I. The period of usefulness of the System after completion of the Project is not less than 21 years.

J. It is in the best interest of the Issuer that its Series 1997 Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the Council (as hereinafter defined) the execution, delivery and form of which are authorized and approved herein. The Issuer has met the requirements of the Prior Resolution for the issuance of the Series 1997 Bonds on a parity with the Prior Bonds and has received, or will receive prior to the bond closing date, written consent from the owner of the Prior Bonds to issue the Series 1997 Bonds on a parity with the lien of the Prior Bonds.

K. There are outstanding obligations of the Issuer which will rank on parity with the Series 1997 Bonds as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Series 1997 Bonds, as follows:

Designation	Lien Position
Water Revenue Bond, Series 1993 (issued on July 29, 1993 in the original principal amount of $10,257,957)	First Lien
Water Revenue Bonds, Series 1997	First Lien

There are no outstanding obligations of the Issuer other than the Prior Bonds which will rank either senior and prior to or on parity with the Series 1997 Bonds as to liens and sources of and security for payment.

L. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System, the payment of the Bond Anticipation Notes, as hereinafter defined, the payment of such remaining costs of the Prior Project, and issuance of the Series 1997 Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 1997 Bonds or has been waived by all necessary parties.

M. The Project has been reviewed and determined to be technically and financially feasible by the Council (as hereinafter defined) as required under the Act, and the Council has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund.

N. The proceeds of the Bond Anticipation Notes were previously expended in the amount of approximately $35,000 to finance temporarily the costs of a 12-inch main approximately 565 feet in length to connect the facilities of Quad/Graphics, Inc. to the System.

O. The Prior Project is substantially complete and the Issuer estimates that the remaining proceeds of the Prior Bonds together with up to $295,000 of the proceeds of the Series 1997 Bonds will be sufficient to pay all remaining costs of the Prior Project.

P. The Issuer is not in default with respect to the Prior Resolution and all payments required under the Prior Resolution have been made in a timely manner.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1997 Bonds by those who shall be the registered owners of the same from time to time,

this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Series 1997 Bonds, as the case may be, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is expected to be the original purchaser and Registered Owner of the Series 1997 Bonds, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Bond Anticipation Notes" means the Issuer's Waterworks System Bond Anticipation Notes, Series 1996, dated August 9, 1996, issued in the original aggregate principal amount of $330,000, of which approximately $35,000 is currently Outstanding.

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

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

"Bonds" means the Series 1997 Bonds and, where appropriate, any Bonds on a parity therewith subsequently issued hereunder or pursuant to another resolution of the Issuer.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 1997 Bonds in substantially the form set forth in the bond form contained herein.

"Chairman" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly appointed by the Governing Body.

"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 Acer Engineers & Consultants, Inc., or any professional engineer or firm of professional engineers, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

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

"Event of Default" means any occurrence or event specified in Section 9.01.

"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, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"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 Section 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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 Opequon Public Service District, a public service district and a public corporation and political subdivision of the State of West Virginia, in Berkeley County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement entered into or to be entered into by and between the Authority, on behalf of the Council, and the Issuer providing for the purchase of the Series 1997 Bonds from the Issuer by the Authority, attached hereto as Exhibit C, the form of which is approved, and the execution and delivery by the Issuer are authorized and directed by Section 3.11 hereof and by the Supplemental Resolution.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation 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, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or Prior Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by the Prior Resolution and continued by Section 5.01 hereof.

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

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

"Paying Agent" means the West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer in a Supplemental Resolution.

"Prior Bonds" means the Issuer's Water Revenue Bonds, Series 1993, dated July 29, 1993, issued in the original principal amount of $10,257,957.

"Prior Bonds Reserve Account" means the Series 1993 Bonds Reserve Account established for the Prior Bonds in the Prior Resolution.

"Prior Bonds Sinking Fund" means the Series 1993 Bonds Sinking Fund established for the Prior Bonds in the Prior Resolution.

"Prior Project" means the extensions, additions, betterments and improvements to the Issuer's existing waterworks system described in Exhibit B hereto.

"Prior Resolution" means the Bond Resolution adopted by the Issuer on July 28, 1993, authorizing, among other things, the issuance of the Prior Bonds, as supplemented and amended.

"Project" means the waterworks system project described in Exhibit A attached hereto, constituting additions, betterments and improvements to the existing waterworks system of the Issuer.

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

A. Government Obligations;

B. Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government

National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

C. Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

D. Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

E. Money market funds or similar funds whose only assets are investments of the type described in paragraphs (A) through (D) above;

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

G. The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

H. Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" means the Bond Registrar.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolution and continued by Section 5.01 hereof.

"Reserve Accounts" means, collectively, the Prior Bonds Reserve Account and the Series 1997 Bonds Reserve Account.

"Revenue Fund" means the Revenue Fund established by the Prior Resolution and continued by Section 5.01 hereof.

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

"Series 1997 Bonds" means the not more than $3,339,090 aggregate principal amount of Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund) of the Issuer, authorized by this Resolution.

"Series 1997 Bonds Construction Trust Fund" means the Series 1997 Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1997 Bonds Reserve Account" means the Series 1997 Bonds Reserve Account established in the Series 1997 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1997 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 1997 Bonds in the then current or any succeeding year.

"Series 1997 Bonds Sinking Fund" means the Series 1997 Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the Prior Bonds Sinking Fund and the Series 1997 Bonds Sinking Fund.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance 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 1997 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1997 Bonds; and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, as further defined in Section 5.03(B) hereof.

"System" means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include the Project, the Prior Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

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

"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 adoption hereof.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

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.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT, PAYMENT OF BOND ANTICIPATION NOTES AND PAYMENT OF REMAINING COSTS OF PRIOR PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project, Payment of Bond Anticipation Notes and Payment of Remaining Costs of Prior Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $3,009,090, which includes costs of issuing the Series 1997 Bonds in the amount of $15,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. There is also hereby authorized the payment of the Bond Anticipation Notes, including any interest accrued thereon, currently Outstanding in the approximately amount of $35,000 and the payment of the remaining costs of the Prior Project in an amount not to exceed $295,000. The proceeds of the Series 1997 Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Council. The Issuer has entered into a contract for the acquisition and construction of the Project.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 Bonds, funding a reserve account for the Series 1997 Bonds, paying Costs of the Project not otherwise provided for, paying the Bond Anticipation Notes, paying the remaining costs of the Prior Project in an amount not to exceed $295,000, and paying certain costs of issuance of the Series 1997 Bonds, and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 1997 Bonds of the Issuer. Said Series 1997 Bonds shall be issued in one series to be designated "Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund)," in the aggregate principal amount of not more than $3,339,090, and shall have such terms as set forth herein and in the Supplemental Resolution. The proceeds of such Series 1997 Bonds remaining after the funding of the Series 1997 Reserve Account (if funded from proceeds of such Series 1997 Bonds), payment of the Bond Anticipation Notes and capitalization of interest, if any, shall be deposited in or credited to the Series 1997 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1997 Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1997 Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1997 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1997 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1997 Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, substantially corresponding to the principal installments or maturities of the Bonds being exchanged; provided that, the net interest cost amount on the exchanged Bonds shall not exceed the net interest cost amount on the Bonds being exchanged; and provided further, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 1997 Bonds 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 any of the Series 1997 Bonds shall cease to be such officer of the Issuer before the Series 1997 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1997 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Series 1997 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 1997 Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 1997 Bonds.

The registered Series 1997 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing,

upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1997 Bonds or transferring the registered Series 1997 Bonds are exercised, Series 1997 Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1997 Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 1997 Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 1997 Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1997 Bonds or, in the case of any proposed redemption of Series 1997 Bonds, next preceding the date of the selection of Series 1997 Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1997 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1997 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1997 Bonds Reserve Account. No holder or holders of any of the Series 1997 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1997 Bonds or the interest, if any, thereon. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position With Respect to Prior Bonds. The payment of the debt service of all the Series 1997 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the

Prior Bonds and the Series 1997 Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein, and the Renewal and Replacement Fund established in the Prior Resolution and continued herein, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1997 Bonds and the Prior Bonds as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1997 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1997 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1997 Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1997 Bonds.

Section 3.10. Form of Series 1997 Bonds. The text of the Series 1997 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof;

[Form of Series 1997 Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BOND,
SERIES 1997
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That OPEQUON PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Berkeley County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year commencing on _____, ____, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest, except that the final installment shall be paid on December 1, 2017 in the sum of the unpaid principal on the date thereof.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, on behalf of the Council, dated _____, 19__, provided, however, this Bond is subject to mandatory redemption at the times, in the amounts and in the manner as follows:

This Bond shall also be subject to mandatory redemption commencing on December 1, 1998, and on the first day of each December thereafter so long as any of this Bond remains Outstanding in the amounts as follows:

On the date of issuance of this Bond, the Issuer shall certify to the Authority and the Council the names and addresses of all customers receiving water service as of such date from the recently constructed 12-inch main approximately 565 feet in length connecting the facilities of

Quad/Graphics, Inc. to the System (the "Quad/Graphics Extension"). Simultaneously with the issuance of the Completion Certificate by the Consulting Engineer in accordance with Section 6.01F of the Bond Legislation, the Issuer shall certify to the Authority and the Council the names and addresses of all new customers (i.e., new customers of the System that were not customers of the System on June 25, 1997) receiving water service directly from (i) the Quad/Graphics Extension, (ii) the extension constituting the Project, (iii) any extension receiving its water through either (i) or (ii) ((i), (ii) and (iii) are collectively referred to herein as the "Extensions") and (iv) any customers located in the Berkeley County Industrial Park at Cumbo Yard ("Cumbo Yard") other than Quad/Graphics, Inc. as of that date (collectively, the "Base Customer List"), provided, however, except as noted in (iv) above, in no event shall customers be included on the Base Customer List that are connected to the System beyond the terminus of the Project nor shall Quad/Graphics, Inc. be included in the Base Customer List. As part of the Issuer's annual audit, the Issuer shall require the Independent Certified Public Accountants to provide certification as of June 30 of each Fiscal Year, based on the audit, the Base Customer List and the new customers of the Extensions or in Cumbo Yard, of the prepayment amount. The prepayment calculation shall be as follows:

The sum of:

(a) The number of gallons of water purchased from the Issuer in such Fiscal Year by Quad/Graphics, Inc. in excess of 50,000 gallons per day, calculated on a monthly basis;

(b) The number of gallons of water purchased from the Issuer in such Fiscal Year by customers located in Cumbo Yard other than Quad/Graphics, Inc.; and

(c) The number of gallons of water purchased from the Issuer in such Fiscal Year by customers receiving water service directly from the Extensions that (i) are on the Base Customer List, (ii) have assumed the water service of customers on the Base Customer List; or (iii) are new customers of the System that connected to the Extensions after the date of completion of the Project, provided, however, in no event shall there be included in such amount water purchased by customers connected to the System beyond the terminus of the Project;

multiplied by the debt service component of $.00157.

For the purposes of this calculation no customer shall be counted more than once.

If the calculated amount is less than $500, no prepayment is required. If the calculated amount is equal to or exceeds $500, such payment shall be remitted to the Paying Agent on the November 1st following the end of the Fiscal Year. The Issuer shall provide notice to the Paying Agent, the Authority and the Council of the prepayment amount along with the audit and certification from the Independent Certified Public Accountants not less than 15 days prior to the prepayment date. The Paying Agent shall remit such prepayment amount to the Authority on behalf of the Council on the following December 1st.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay the Waterworks System Bond Anticipation Notes, Series 1996 of the Issuer; (iii) to pay certain remaining costs of the Prior Project, as defined in the Bond Legislation described below; and (iv) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 19___ and a Supplemental Resolution duly adopted by the Issuer on _____, 19___ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE WATER REVENUE BONDS, SERIES 1993, OF THE ISSUER, ISSUED JULY 29, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF $10,257,957 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), on a parity with the pledge of the Net Revenues in favor of the holders of the Prior Bonds, to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1997 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1997 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Prior Bonds, an

amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of _____, as registrar (the "Registrar") by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project, the payment of the Waterworks System Bond Anticipation Notes, Series 1996, and the payment of the remaining costs of the Prior Project, all as described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, OPEQUON PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 19_____.

OPEQUON PUBLIC SERVICE DISTRICT

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

_____,
as Registrar

By_____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	Amount	Date		Amount	Date
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

Total $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, 19_____.

_____

In the presence of:

_____

Section 3.11. Sale of Series 1997 Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1997 Bonds 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 in the form attached hereto as "Exhibit C" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 1997 Bonds are Issued as Parity Bonds With Respect to Prior Bonds. The Series 1997 Bonds are issued as and shall constitute parity Bonds with respect to the Prior Bonds. The Issuer has met the requirements of the Prior Resolution for the issuance of the Series 1997 Bonds on a parity with the Prior Bonds.

Section 3.13. "Amended Schedule A" Filing. Within sixty (60) days following the completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds 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 created (or continued if previously established by the Prior Resolution) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

A. Revenue Fund (created by the Prior Resolution);

B. Operation and Maintenance Fund (created by the Prior Resolution);

C. Renewal and Replacement Fund (created by the Prior Resolution); and

D. Series 1997 Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the Prior Resolution) with the Commission:

A. Series 1993 Bonds Sinking Fund (established by the Prior Resolution);

B. Within the Series 1993 Bonds Sinking Fund, the Series 1993 Bonds Reserve Account (established by the Prior Resolution);

C. Series 1997 Bonds Sinking Fund; and

D. Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

1. The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary and sufficient to pay current Operating Expenses.

2. The Issuer shall next (i) on the first day of each month, transfer from the Revenue Fund and pay the amounts required by the Prior Resolution to be deposited in the Prior Bonds Sinking Fund for payment of principal and interest on the Prior Bonds, and simultaneously (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal on the Series 1997 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1997 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1997 Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; provided that, if insufficient funds are available in the Revenue Fund to make all of the payments listed above, the Issuer shall make the payments pro rata.

3. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously, (i) remit to the Commission the amounts required by the Prior Resolution to be deposited in the Prior Bonds Reserve Account, and (ii) commencing 3 months prior to the first date of principal of the Series 1997 Bonds, if not fully funded upon the issuance of the Series 1997 Bonds, remit to the Commission for deposit in the Series 1997 Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 Bonds Reserve Requirement; provided that no further payments shall be made into the Series 1997 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 Bonds Reserve Requirement.

4. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, as previously set forth in the Prior Resolution and not in addition thereto, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1997 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1997 Bonds as the same shall become due. Moneys in the Series 1997 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1997 Bonds, as the same shall come due, when other moneys in the Series 1997 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997 Bonds Sinking Fund and Series 1997 Bonds Reserve Account (if equal to or at least the Series 1997 Bonds Reserve Requirement) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 1997 Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1997 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 Bonds Reserve Account which result in a reduction in the balance of the Series 1997 Bonds Reserve Account to below the Series 1997 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full to the Prior Bonds Sinking Fund and the Series 1997 Bonds Sinking Fund.

As and when additional Bonds ranking on a parity with the Series 1997 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in a amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 Bonds Sinking Fund, or into the Series 1997 Reserve Account therein, when the aggregate amount of funds are at least equal to the aggregate principal amount of the Series 1997 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal, interest and reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 1997 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1997 Bonds Sinking Fund, including the Series 1997 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 Bonds under the conditions and restrictions hereinafter set forth.

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

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due.

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Series 1997 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 Bonds, there shall first be deposited with the Commission in the Series 1997 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1997 Bonds for the period commencing on the date of issuance of the Series 1997 Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1997 Bonds, there shall be deposited with the Commission in the Series 1997 Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1997 Bonds Reserve Account.

C. Next, from the proceeds of the Series 1997 Bonds, there shall be paid to the Holder of the Bond Anticipation Notes the amount necessary to pay the Bond Anticipation Notes in full, including any accrued interest thereon.

D. Next, from the proceeds of the Series 1997 Bonds, there shall first be credited to the Series 1997 Bonds Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, together with interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

E. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1997 Bonds, such moneys shall be deposited with the Depository Bank in the Series 1997 Bonds Construction Trust Fund and applied solely to payment of Costs of the Project and the remaining costs of the Prior Project in the manner set forth in Section 6.02.

F. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs and remaining costs of the Prior Project (not to exceed $295,000 from the proceeds of the Series 1997 Bonds with respect to the Prior Project) have been paid, any remaining proceeds of the Series 1997 Bonds shall be used as directed in writing by the Authority and the Council.

G. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Series 1997 Bonds Construction Trust Fund and shall comply with all

requirements with respect to the disposition of the Series 1997 Bonds Construction Trust Fund set forth in the Bond Legislation. Moneys in the Series 1997 Bonds Construction Trust Fund shall be used solely to pay Costs of the Project and the remaining costs of the Prior Project and until so transferred or expended, are hereby pledged as additional security for the Series 1997 Bonds.

Section 6.02. Disbursements From the Series 1997 Bonds Construction Trust Fund. The Issuer shall each month provide the Council and the Authority with a requisition for the Costs incurred for the Project, together with such documentation as the Council shall require. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1997 Bonds Construction Trust Fund (except for the costs of issuance of the Series 1997 Bonds and the remaining costs of the Prior Project in an amount not to exceed $295,000 in the aggregate, each of which shall be paid upon request of the Issuer accompanied by such documentation as the Council may reasonably request) shall be made only after submission to Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

3. That each of such costs has been otherwise properly incurred; and

4. That payment for each of the items proposed is then due and owing.

All payments made from the Series 1997 Bonds Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 1997 Bonds Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Series 1997 Bonds Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Series 1997 Bonds Construction Trust Fund as directed in writing by the Authority and the Council.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1997 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Series 1997 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Series 1997 Bonds not to be Indebtedness of the Issuer. The Series 1997 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 1997 Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest, if any, thereon.

Section 7.03. Series 1997 Bonds Secured by Pledge of Net Revenues; Lien Position With Respect to Prior Bonds. The payment of the debt service of the Series 1997 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein, to such payments as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System, a copy of which is attached hereto as Exhibit D, shall be as set forth and approved and described in the Recommended Decision of the Public Service Commission of West Virginia (the "PSC") entered May 22, 1997, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on June 4, 1997, pursuant to the Commission Order of the PSC entered May 30, 1997, in Case No. 96-0478-PWD-CN, and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolution. Additionally, so long as the Series 1997 Bonds are Outstanding

and except as otherwise required by law or with the written consent of the Authority and the Council, 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 Bonds and Prior Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds and Prior Bonds, immediately be remitted to the Commission for deposit in the respective sinking funds pro rata, with respect to the principal amount of each of the Bonds and Prior Bonds then Outstanding, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Bonds and Prior Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority and the Counsel, be remitted by the Issuer to the Commission for deposit, pro rata based upon the respective principal amounts of the Prior Bonds and Series 1997 Bonds then Outstanding (i) into the Prior Bonds Sinking Fund and shall be applied to the purchase of Prior Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value, and (ii) into the Series 1997 Bonds Sinking Fund and shall be applied to the purchase of Series 1997 Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value. Such payment of such proceeds into the Renewal and Replacement Fund or the Sinking Funds shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation or the Prior Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the

same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds and Prior Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and Prior 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 in this Section 7.06 and in Section 7.07, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1997 Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1997 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1997 Bonds, and the interest thereon, if any, upon any of the income and revenues of the System pledged for payment of the Series 1997 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1997 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 Bonds, and must have the prior written consent of the Authority and the Council.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants,

based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and the Series 1997 Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the said Independent Certified Public Accountants on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

All Parity Bonds shall mature on the day of the years of maturities, and the interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1997 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Resolution with respect to the Bonds and Prior Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, 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 and the Council such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the 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 of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

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

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

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

C. The amount of any Prior Bonds and Bonds or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority and the Council, or any other original purchaser of the Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service and reserve requirements.

The Issuer shall permit the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the 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. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to

time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the Series 1997 Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with the Series 1997 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget; Audit 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. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month

complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority by the 15th day of each month.

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

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

The Issuer agrees that qualified operating personnel properly certified by the State will be employed to operate the System so long as the Bonds are Outstanding.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of

charges for the services of the System and will not restore such services 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 the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the Council, so long as the Authority is the Owner of the Series 1997 Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and Council and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

Section 7.16. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all Federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.17. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1997 Bonds and shall be for the equal benefit of all Holders of the Series 1997 Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.18. Compliance With Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with all copies submitted to the Authority.

The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.19. Securities Laws 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).

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys 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 moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if 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 Bonds are Outstanding.

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 1997 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 1997 Bonds; or

B. If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1997 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 1997 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

C. 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

D. If default occurs with respect to the Prior Bonds or the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 1997 Bonds shall be on a parity with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals,

fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds, the Prior Bonds and interest and the deposits into the funds and accounts hereby established or established in the Prior Resolution, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System, including the Prior Bonds, shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of any Bonds, shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Holders of the Bonds and the Prior Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and Prior Bonds, and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1997 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1997 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1997 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1997 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1997 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1997 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 1997 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 1997 Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Series 1997 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 1997 Bonds and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this 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 1997 Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. 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 Resolution and the Prior Resolution (so long as the Prior Bonds are Outstanding), the more restrictive provision shall control.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of the Issuer, a Class II legal advertisement stating:

A. The respective maximum amounts of the Series 1997 Bonds to be issued.

B. The respective maximum interest rates and terms of the Series 1997 Bonds originally authorized hereby.

C. The public service properties to be acquired or constructed and the cost of the same.

D. The maximum anticipated rates which will be charged by the Issuer.

E. The date that the formal application for a Certificate of convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

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

Adopted this 25th day of June, 1997.

Chairman, Public Service Board

Member, Public Service Board

Exhibit A

DESCRIPTION OF PROJECT

The acquisition and construction of certain additions, betterments and improvements to the Issuer's existing public waterworks system, in Berkeley County, West Virginia, consisting of approximately 24,000 feet of 24-inch transmission main leading from the Issuer's recently constructed Potomac River water production facility to an existing 12-inch transmission main on the west side of Interstate 81.

Exhibit B

DESCRIPTION OF PRIOR PROJECT

The acquisition of an existing water intake facility on the Potomac River near the area known as Falling Waters, Berkeley County, West Virginia, enlargement of the water intake facility, construction of a new water treatment and storage facility by the Issuer near Falling Waters, construction of water storage facilities near Martinsburg, Berkeley County, West Virginia and near the area known as Marlowe, Berkeley County, West Virginia, together with all appurtenant facilities, which Prior Project was approved by, and is more particularly described in, the Bond Resolution adopted by the Public Service Board of the Issuer on July 28, 1993.

Exhibit C

LOAN AGREEMENT

[See Transcript Document No. 3]

Exhibit D

SCHEDULE OF RATES AND CHARGES

OPEQUON PUBLIC SERVICE DISTRICT
APPROVED RATES AND CHARGES
CASE NO. 96-0478-PWD-CN

APPLICABILITY

Applicable within entire territory served.

AVAILABILITY

Available for general domestic and commercial service.

RATES	Per 1,000 Gallons Used
First 5,000 gallons used per month	$6.03
All over 5,000 gallons used per month	$4.53

AVAILABILITY

Available for general industrial service.

RATES

$3.21 per 1,000 gallons used per month.

MINIMUM CHARGE

No bill will be rendered for less than the following amounts according to the size of the meter installed, to-wit:

5/8 inch meter	$ 18.09 per month
1 inch meter	$ 45.23 per month
1½ inch meter	$ 90.45 per month
2 inch meter	$144.72 per month
3 inch meter	$271.35 per month
4 inch meter	$452.25 per month
6 inch meter	$904.50 per month

SERVICE CONNECTION CHARGE

$300.00

RECONNECTION CHARGE

$20.00

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount shown. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of OPEQUON PUBLIC SERVICE DISTRICT on the 25th day of June, 1996.

Dated: June 25, 1997

Secretary, Public Service District

[SEAL]

CHS/98964

OPEQUON PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1997
(WEST VIRGINIA INFRASTRUCTURE FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY, REDEMPTION PROVISIONS, PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA INFRASTRUCTURE FUND) OF OPEQUON PUBLIC SERVICE DISTRICT; AUTHORIZING , RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BOND REGISTRAR, DEPOSITORY BANK AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Opequon Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective June 25, 1997, (the "Bond Resolution") entitled:

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE OPEQUON PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE OPEQUON PUBLIC SERVICE DISTRICT OF NOT MORE THAN THREE MILLION THREE HUNDRED THIRTY-NINE THOUSAND NINETY DOLLARS ($3,339,090.00) IN AGGREGATE PRINCIPAL AMOUNT OF OPEQUON PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING ON BEHALF OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS

DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund) of the Issuer (the "Series 1997 Bonds"), in an aggregate principal amount not to exceed $3,339,090, and has authorized the execution and delivery of a loan agreement relating to such Bonds dated June 25, 1997 (sometimes referred to herein as the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 1997 Bonds should be established by a supplemental resolution pertaining to the Series 1997 Bonds; and that other matters relating to the Series 1997 Bonds be herein provided for;

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

WHEREAS, the Series 1997 Bonds are 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 and that the Loan Agreement be ratified, approved and entered into by the Issuer, that the exact principal amount, the price, the maturity date, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1997 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1997 Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF OPEQUON PUBLIC SERVICE DISTRICT:

Section 1. A. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund) of the Issuer, originally represented by a single bond, numbered R-1, in the principal amount of $3,339,090. The Series 1997 Bonds shall be dated the date of delivery thereof, shall finally mature on December 1, 2017, and shall bear no interest. The principal of the Series 1997 Bonds shall be payable in quarterly installments of

principal on March 1, June 1, September 1 and December 1 of each year commencing December 1, 1997 and ending December 1, 2017, and in the amounts set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made part of the Series 1997 Bonds. The Series 1997 Bonds shall be subject to redemption upon the consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1997 Bonds.

B. The Series 1997 Bonds shall also be subject to mandatory redemption as provided in this Section 1.B. commencing on December 1, 1998, and on the first day of each December thereafter so long as any of the Series 1997 Bonds remain Outstanding in the amounts as follows:

On the date of issuance of the Series 1997 Bonds, the Issuer shall certify to the Authority and the Council the names and addresses of all customers receiving water service as of such date from the recently constructed 12-inch main approximately 565 feet in length connecting the facilities of Quad/Graphics, Inc. to the System (the "Quad/Graphics Extension"). Simultaneously with the issuance of the Completion Certificate by the Consulting Engineer in accordance with Section 6.01F of the Bond Resolution, the Issuer shall certify to the Authority and the Council the names and addresses of all new customers (i.e., new customers of the System that were not customers of the System on June 25, 1997) receiving water service directly from (i) the Quad/Graphics Extension, (ii) the extension constituting the Project, (iii) any extension receiving its water through either (i) or (ii) ((i), (ii) and (iii) are collectively referred to herein as the "Extensions") and (iv) any customers located in the Berkeley County Industrial Park at Cumbo Yard ("Cumbo Yard") other than Quad/Graphics, Inc. as of that date (collectively, the "Base Customer List"), provided, however, except as noted in (iv) above, in no event shall customers be included on the Base Customer List that are connected to the System beyond the terminus of the Project nor shall Quad/Graphics, Inc. be included in the Base Customer List. As part of the Issuer's annual audit, the Issuer shall require the Independent Certified Public Accountants to provide certification as of June 30 of each Fiscal Year, based on the audit, the Base Customer List and the new customers of the Extensions or in Cumbo Yard, of the prepayment amount. The prepayment calculation shall be as follows:

The sum of:

(a) The number of gallons of water purchased from the Issuer in such Fiscal Year by Quad/Graphics, Inc. in excess of 50,000 gallons per day, calculated on a monthly basis;

(b) The number of gallons of water purchased from the Issuer in such Fiscal Year by customers located in Cumbo Yard other than Quad/Graphics, Inc.; and

(c) The number of gallons of water purchased from the Issuer in such Fiscal Year by customers receiving water service directly from the Extensions that (i) are on the Base Customer List, (ii) have assumed the water service of customers on the Base Customer List; or (iii) are new

customers of the System that connected to the Extensions after the date of completion of the Project, provided, however, in no event shall there be included in such amount water purchased by customers connected to the System beyond the terminus of the Project;

multiplied by the debt service component of $.00157.

For the purposes of this calculation no customer shall be counted more than once.

If the calculated amount is less than $500, no prepayment is required. If the calculated amount is equal to or exceeds $500, such payment shall be remitted to the Commission on the November 1st following the end of the Fiscal Year. The Issuer shall provide notice to the Commission, the Authority and the Council of the prepayment amount along with the audit and certification from the Independent Certified Public Accountants not less than 15 days prior to the prepayment date. The Commission shall remit such prepayment amount to the Authority on behalf of the Council on the following December 1st.

Section 2. All other provisions relating to the Series 1997 Bonds and the text of the Series 1997 Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, ratified, approved and directed. The price of the Series 1997 Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Series 1997 Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing there shall be requisitioned and advanced a portion of the proceeds in the amount of $220,450, being more than a de minimis amount of the proceeds of the Series 1997 Bonds. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Series 1997 Bonds.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1997 Bonds.

Section 6. The Issuer does hereby appoint and designate One Valley Bank - East, National Association, Martinsburg, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. The Series 1997 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1997 Bonds Sinking Fund as capitalized interest.

Section 8. The Series 1997 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1997 Bonds Reserve Account.

Section 9. The Series 1997 Bonds proceeds in the amount of $33,400.16 shall be paid to the Holder of the Bond Anticipation Notes in payment in full of the Bond Anticipation Notes, including all accrued interest thereon.

Section 10. The remaining proceeds of the Series 1997 Bonds shall be deposited in the Series 1997 Bonds Construction Trust Fund, as received from time to time for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project, payment of the remaining costs of the Prior Project in an amount not to exceed $295,000 in the aggregate, and payment of cost of issuance of the Series 1997 Bonds.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 1997 Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1997 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 25, 1997.

Section 12. The acquisition and construction of the Project and the permanent financing of the Costs thereof, together with such remaining costs of the Prior Project, with the proceeds of the Series 1997 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in time deposits of the Depository Bank meeting the requirements set forth under the definition of "Qualified Investments" in the Bond Resolution and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits, until further directed by the Issuer. Monies in the Series 1997 Bonds Sinking Fund, including the Series 1997 Bonds Reserve Account therein, shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 25th day of June, 1997.

OPEQUON PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of OPEQUON PUBLIC SERVICE DISTRICT on the 25th day of June, 1997.

Dated: June 25, 1997.

[SEAL]

Secretary, Public Service Board

CHS/99186

BOWLES RICE
McDAVID GRAFF & LOVE, P.L.L.C.

ATTORNEYS AT LAW

600 QUARRIER STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
FACSIMILE 304-343-2867

1000 TECHNOLOGY DRIVE, SUITE 1330
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-4000

105 WEST BURKE STREET
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-0836

206 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-284-4013

601 AVERY STREET
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500

1200 VINE CENTER TOWER
333 WEST VINE STREET
LEXINGTON, KENTUCKY 40507
TELEPHONE 606-225-8700

633 STARKS BUILDING
455 SOUTH FOURTH STREET
LOUISVILLE, KENTUCKY 40202
TELEPHONE 502-589-0500

ONE DAVE COWENS DRIVE
ONE RIVERFRONT PLACE, SUITE 950
NEWPORT, KENTUCKY 41071
TELEPHONE 606-581-8700

June 25, 1997

WRITER'S DIRECT DIAL NUMBER
(304) 347-11129
(304) 343-3058 (fax)

E-MAIL
csiegris@bowlesrice.com

Opequon Public Service District
Route 2, Box 83A
Martinsburg, West Virginia 25401-96022

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

West Virginia Infrastructure and
Jobs Development Council
1320 One Valley Square
Charleston, West Virginia 25301

RE: Opequon Public Service District
Water Revenue Bonds, Series 1997
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the Opequon Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $3,339,090 Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined a certified copy of proceedings and other papers relating to the authorization of a loan agreement dated June 25, 1997 including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Issuer and the West Virginia Water Development

Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are in the principal amount of $3,339,090, issued in the form of one bond registered as to principal to the Authority, with no interest and with principal payable March 1, June 1, September 1 and December 1, of each year commencing December 1, 1997, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"), (ii) to pay the Waterworks System Bond Anticipation Notes, Series 1996 of the Issuer, (iii) to pay certain remaining costs of the Prior Project, as defined in the Local Act described below, and (iv) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Issuer on June 25, 1997, as supplemented by a Supplemental Resolution duly adopted on June 25, 1997 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Bonds are authorized and issued and the Loan Agreement has been undertaken. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer and is a valid and binding special obligation of the Issuer 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 Issuer without the consent of the Authority.

3. The Issuer is a duly organized and presently existing public service district, public corporation and political subdivision of the State of West Virginia with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in

the Loan Agreement and to issue and sell the Bonds, all under the Local Statute and other applicable provisions of law.

4. The Issuer has legally and effectively enacted the Local Act and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer in connection with the issuance and sale of the Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Bonds are valid and legally enforceable special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bonds, Series 1993, in accordance with the terms of the Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

7. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Bonds, as provided in the Local Act.

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

We have examined the executed and authenticated Bond No. R-1, and are of the opinion that the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE, P.L.L.C.

Bowles Rice McDavid Graff & Love, P.L.L.C.

CHS/99342

REBECCA MELTON CRAIG
State Tax Commissioner
Chair

JOHN D. PERDUE
State Treasurer

GLEN B. GAINER III
State Auditor

WEST VIRGINIA
MUNICIPAL BOND COMMISSION

Suite 500
8 Capitol Street
Charleston, West Virginia 25301
(304) 558-3971 / 72
FAX (304) 558-1280

LARRY CHAPMAN
Member

JOHN ROACH
Member

R. WITTER HALLAN
Executive Director

March 12, 2002

Berkeley County Water PSD
Mr Paul S Fisher, Executive Director
275 Monroe St
Martinsburg WV 25401

RE: Hedgesville PSD
Opequon PSD

Dear Sir:

By memo from the WV Water Development Authority and conversation with John Stump, Esq., of Steptoe & Johnson, the Municipal Bond Commission has been informed that Berkeley County Water PSD has assumed the operations of Hedgesville and Opequon PSDs. The existing bond issues for these two PSDs have also been assumed by Berkeley County Water PSD, and while they have not been reissued, the original bonds have been retitled in the name of Berkeley County, with the original principal amounts and debt service continued.

To reflect these changes, the Commission has established 10 new accounts for Berkeley County Water PSD. The memo from Water Development Authority indicated the corresponding new name for each existing bond issue, and we have created new accounts as it directed. There is one exception to this statement. Upon researching these accounts, we determined that the Hedgesville Series 1993 A bonds which were to be retitled Berkeley County PSD Water Revenue Bonds, Series 1993 B, can not be accommodated on our computer system as Berkeley County PSD has already issued 1993 Series B bonds on 3/1/1993. These bonds were outstanding for only a brief time as the PSD called them on 9/15/93. The computer, however, issues an error message at the identical titles for two different bond issues. We have therefore had to title this issue Berkeley Cty (Hedgesville 93A) PSD 93B W Rev, but assigned it an account number of BEP-W-1-(or 2 for Res)-93-H-BE-06.

The following is a list of the old and new accounts:

HED-W-1-93-A-BE-06	Hedgesville PSD 93-A Water Revenue
BEP-W-1-93-H-BE-06	Berkeley Cty(Hedgesvile93A) PSD 93B W Rev
HED-W-2-93-A-BE-06	Hedgesville PSD 93-A Water Reserve
BEP-W-2-93-H-BE-06	Berkeley Cty(Hedgesvile93A) PSD 93B W Res
HED-W-1-93-B-BE-06	Hedgesville PSD 93-B Water Revenue
BEP-W-1-93-C-BE-06	Berkeley Cty(Hedgesvile93B) PSD 93C W Rev
HED-W-2-93-B-BE-06	Hedgesville PSD 93-B Water Reserve
BEP-W-2-93-C-BE-06	Berkeley Cty(Hedgesvile93B) PSD 93C W Res
HED-W-1-96-X-BE-06	Hedgesville PSD 96Water Revenue
BEP-W-1-96-X-BE-06	Berkeley Cty(Hedgesvile96) PSD 96 W Rev
HED-W-2-96-X-BE-06	Hedgesville PSD 96 Water Reserve
BEP-W-2-96-X-BE-06	Berkeley Cty(Hedgesvile96) PSD 96 W Res
OPE-W-1-93-X-BE-06	Opequon PSD 93 Water Revenue
BEP-W-1-93-D-BE-06	Berkeley Cty(Opequon 93) PSD 93-D W Rev
OPE-W-2-93-X-BE-06	Opequon PSD 93 Water Reserve
BEP-W-2-93-D-BE-06	Berkeley Cty(Opequon 93) PSD 93-D W Res
OPE-W-1-97-X-BE-06	Opequon PSD 97 Water Revenue
BEP-W-1-97-X-BE-06	Berkeley Cty(Opequon 97) PSD 97 W Rev
OPE-W-2-97-X-BE-06	Opequon PSD 97 Water Reserve
BEP-W-2-97-X-BE-06	Berkeley Cty(Opequon 97) PSD 97 W Res

The transfer of these accounts will be posted effective February 1, 2002, although I am informed that Berkeley County acquired these PSDs effective 7/1/2001. Attached is a posting statement of these transfers from the old accounts to the new Berkeley County accounts. The amount shown is the balance in each account on February 1, 2002, including the interest for January, which is posted on that date. All transactions for these bond issues which occur after that date will be made to the new Berkeley County accounts. The 10 old Hedgesville and Opequon PSD accounts will continue to exist and you will continue to receive statements on them through the end of the fiscal year, as we only close accounts following the completion of the year in July.

From this date forward, please use the new account names/numbers for all future deposits or inquiries on these issues. These new accounts do not change any other requirements or provisions of the existing bond issues, and all deposits and reserve requirements should continue to be observed.

If you have any questions, please let us know.

Sincerely yours,

R Witter Hallan
Executive Director

Cc: Hedgesville PSD Ms Ann DeHaven, Off Mgr
P O Box 264 Hedgesville WV 25427-0264
Opequon PSD Ms Penny Boarman, Fin Off
P O Box 737 Martinsburg WV 25402-0737
WV Water Development Authority
160 Association Dr Charleston WV 25311-1571
John Stump, Esq. Steptoe & Johnson
P O Box 1588 Charleston WV 25325-1588

STATE OF WEST VIRGINIA
MUNICIPAL BOND COMMISSION

DETAIL SHEET FOR DOCUMENT MTR032

REPORT DATE: 03/07/2002

ACCOUNT NAME	AMOUNT	TT	DESCRIPTION	DATE	ACCOUNT #
PUBLIC SERVICE DISTRICTS					
BERKELEY CTY(HEDGESVILE93B)PSD 93C W REV	467.08	I	TRF ASSUMPTION BAL FM HED-93-B-REV	02-01-2002	BEP-W-1-93-C-BE-06
BERKELEY CTY(HEDGESVILE93B)PSD 93C W RES	519.89	I	TRF ASSUMPTION BAL FM HED-93-B-RES	02-01-2002	BEP-W-2-93-C-BE-06
BERKELEY CTY (OPEQUON 93) PSD 93-D W REV	333,146.54	I	TRF ASSUMPTION BAL FM OPE-93-X-REV	02-01-2002	BEP-W-1-93-D-BE-06
BERKELEY CTY (OPEQUON 93) PSD 93-D W RES	605,457.00	I	TRF ASSUMPTION BAL FM OPE-93-X-RES	02-01-2002	BEP-W-2-93-D-BE-06
BERKELEY CTY(HEDGESVILE93A)PSD 93B W REV	32,640.56	I	TRF ASSUMPTION BAL FM HED-93-A-REV	02-01-2002	BEP-W-1-93-H-BE-06
BERKELEY CTY(HEDGESVILE93A)PSD 93B W RES	43,759.18	I	TRF ASSUMPTION BAL FM HED-93-A-RES	02-01-2002	BEP-W-2-93-H-BE-06
BERKELEY CTY (HEDGESVILE96) PSD 96 W REV	35,175.51	I	TRF ASSUMPTION BAL FM HED-96-X-REV	02-01-2002	BEP-W-1-96-X-BE-06
BERKELEY CTY (HEDGESVILE96) PSD 96 W RES	23,712.15	I	TRF ASSUMPTION BAL FM HED-96-X-RES	02-01-2002	BEP-W-2-96-X-BE-06
BERKELEY CTY (OPEQUON 97) PSD 97 W REV	284,546.41	I	TRF ASSUMPTION BAL FM OPE-97-X-REV	02-01-2002	BEP-W-1-97-X-BE-06
BERKELEY CTY (OPEQUON 97) PSD 97 W RES	83,079.49	I	TRF ASSUMPTION BAL FM OPE-97-X-RES	02-01-2002	BEP-W-2-97-X-BE-06
HEDGESVILLE PSD 93-A WATER REVENUE	-32,640.56	V	TRF ASSUMPTION BAL TO BEP-93-H-REV	02-01-2002	HED-W-1-93-A-BE-06
HEDGESVILLE PSD 93-A WATER RESERVE	-43,759.18	V	TRF ASSUMPTION BAL TO BEP-93-H-RES	02-01-2002	HED-W-2-93-A-BE-06
HEDGESVILLE PSD 93-B WATER REVENUE	-467.08	V	TRF ASSUMPTION BAL TO BEP-93-C-REV	02-01-2002	HED-W-1-93-B-BE-06
HEDGESVILLE PSD 93-B WATER RESERVE	-519.89	V	TRF ASSUMPTION BAL TO BEP-93-C-RES	02-01-2002	HED-W-2-93-B-BE-06
HEDGESVILLE PSD 96 WATER REVENUE	-35,175.51	V	TRF ASSUMPTION BAL TO BEP-96-X-REV	02-01-2002	HED-W-1-96-X-BE-06
HEDGESVILLE PSD 96 WATER RESERVE	-23,712.15	V	TRF ASSUMPTION BAL TO BEP-96-X-RES	02-01-2002	HED-W-2-96-X-BE-06
OPEQUON PSD 93 WATER REVENUE	-333,146.54	V	TRF ASSUMPTION BAL TO BEP-93-D-REV	02-01-2002	OPE-W-1-93-X-BE-06
OPEQUON PSD 93 WATER RESERVE	-605,457.00	V	TRF ASSUMPTION BAL TO BEP-93-D-RES	02-01-2002	OPE-W-2-93-X-BE-06
OPEQUON PSD 97 WATER REVENUE	-284,546.41	V	TRF ASSUMPTION BAL TO BEP-97-X-REV	02-01-2002	OPE-W-1-97-X-BE-06
OPEQUON PSD 97 WATER RESERVE	-83,079.49	V	TRF ASSUMPTION BAL TO BEP-97-X-RES	02-01-2002	OPE-W-2-97-X-BE-06
	-0.00				
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DOCUMENT TOTAL	-0.00				