

CRAB ORCHARD - MacARTHUR PUBLIC SERVICE DISTRICT

Sewerage System Refunding and Construction
Refunding Notes, Series 1986

Date of Closing: May 29, 1986

REFUNDING NOTES TRANSCRIPT

DOCUMENTS

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05/28/86
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Raleigh County National Bank

D. W. Shilling
Senior Vice President

IRREVOCABLE LETTER OF CREDIT

December 7, 1983

Letter of Credit No. RCNB 197

Raleigh County National Bank
as trustee for the below-mentioned
Notes

129 Main Street, Box 1269
Beckley, West Virginia 25802-1269

Attention: Corporate Trust Department

Re: Crab Orchard-MacArthur Public Service District
Sewerage System Refunding and Construction Notes,
Series 1983

Gentlemen:

At the request and on the instructions of our customer, the Crab Orchard-MacArthur Public Service District (the "District"), we, the undersigned bank (the "Bank"), hereby establish in your favor this Letter of Credit in the original aggregate amount of \$4,070,000 (the "Stated Amount"). There may be only one demand for payment hereunder, and such demand shall not exceed the Stated Amount.

This Letter of Credit is issued to you, as trustee under the trust indenture dated as of December 1, 1983 (the "Indenture"), between the District and you, and is for the benefit of the registered owners of the \$7,620,000 in aggregate principal amount of the District's Sewerage System Refunding and Construction Notes, Series 1983, dated as of December 1, 1983 (the "Notes"). The Notes are issued by the District pursuant to and in accordance with the Indenture and that certain enabling resolution adopted and supplemented by the public service board of the District (the "Board") on November 9, 1983 and further supplemented on December 2, 1983 (the "Resolution"), to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes") and to pay certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of which have previously been paid for in part from the proceeds of the 1982 Notes (the "Project")

pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA"), five grants from the West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development ("GOECD") (the grants from the Authority, ARC and GOECD, together with any other grant hereafter received by the District in aid of financing the costs of the Project, are hereinafter referred to as the "Other Grants") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser.

As defined in the Indenture and used herein (including in Exhibit I hereto), "EPA Retainage" means ten percent (10%) of the costs of the Project eligible for reimbursement by the EPA, or such lesser amount of said eligible costs, as may be withheld from time to time by the EPA pending satisfactory completion of the EPA audit, which amount shall be certified by the District's consulting engineers to the Trustee and the District on April 2, 1983; "EPA Retainage Deficiency" means the amount of any deficiency in the Notes Debt Service Fund established under the Indenture attributable to the EPA's withholding the EPA Retainage, which amount may be less than or equal to the EPA Retainage; "Local Share" means the amount of \$3,320,000; "Local Share Deficiency" means the amount of any deficiency in the Notes Debt Service Fund attributable to the District's failure to issue the Original Bonds in an amount, the net proceeds of which shall at least equal the Local Share, which amount may be less than or equal to the Local Share.

This Letter of Credit is irrevocable, with respect to any Note originally issued pursuant to the Indenture (including Notes issued in exchange or as replacements therefor), to the extent set forth herein, but no refunding notes or other obligations issued to pay the principal of or interest on the Notes are entitled to the benefits of this Letter of Credit.

Subject to the further provisions of this Letter of Credit, the demand for payment hereunder may be made by you on or after April 30, 1986, in the event, and only in the event, there are not or will not be funds in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, on May 2, 1986, sufficient to pay, at maturity, the entire principal and interest on the Notes and such deficiency is due in whole or in part (i) to the EPA Retainage, (ii) to the District's failure to issue and sell the Original Bonds as prescribed by the Indenture or (iii) both. On or after such date and in such event, the demand for payment hereunder may be made by you by presentation to the Bank at its above address of your certificate, on your letterhead and signed by the President, a Vice President or a Trust Officer of your Bank, in the form of Exhibit I attached hereto and incorporated herein by reference, duly completed. In accordance with said Exhibit I and as set forth on said certificate of the Trustee, such demand shall be in an

December 7, 1983

amount which shall equal the sum of: (i) the EPA Retainage Deficiency and (ii) the Local Share Deficiency, but not more than \$4,070,000 less the costs of issuing certain refunding notes to evidence the District's obligation to repay such draw (the "Refunding Notes").

Demand for payment under this Letter of Credit may be made by you on or after April 30, 1986, and prior to the expiration hereof at any time during the Bank's business hours at its aforesaid address in Beckley, West Virginia, on a Business Day (as hereinafter defined). As used herein, the Term "Business Day" means a day on which both the Bank (at its above address) and you (at your above address) are open for the purpose of conducting a commercial banking business. If demand for payment is made by you hereunder at or prior to 10:00 a.m., prevailing time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the Business Day next succeeding the date of said demand. If demand for payment is made by you hereunder after 10:00 a.m., prevailing time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the second (2nd) Business Day next succeeding the date of said demand. If the demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, the Bank shall give you prompt notice that the purported negotiation was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that the Bank is holding any documents at your disposal or is returning the same to you, as the Bank may elect. Upon being notified that the purported negotiation was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you are entitled (without regard to the provisions of this sentence) and able to do so.

This Letter of Credit shall expire on the earlier to occur of (i) the Bank's close of business at its aforesaid address in Beckley, West Virginia, on June 1, 1986, or (ii) the payment in full, or defeasance pursuant to Section 8.01 of the Indenture, of the Notes; provided, that, if either of said dates shall not be a Business Day, this Letter of Credit shall expire on the close of business at such address on the first Business Day next succeeding said date. If the Bank is not then in default hereunder by reason of its having wrongfully failed to honor a demand for payment hereunder, this Letter of Credit shall be promptly surrendered by you to the Bank upon any expiration pursuant to the preceding sentence.

December 7, 1983

All documents presented to the Bank in connection with any demand for payment hereunder, as well as all notices and other communications to the Bank in respect of this Letter of Credit, shall be in writing and addressed and presented to the Bank at its above address, Attention: Commercial Loan Department, and shall make specific reference to this Letter of Credit by number. Such documents, notices and other communications shall be personally delivered to the Bank or may be sent to the Bank by the United States mail, postage prepaid, first class certified, return receipt requested; provided, that no document, notice or other communication mailed to the Bank shall be considered delivered until actually received by the Bank.

This Letter of Credit, including the Exhibit hereto, sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein except the Uniform Customs (as herein-after defined) or which refers to this Letter of Credit or to which this Letter of Credit relates, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is not transferable and, except as otherwise expressly stated herein and to the extent not inconsistent with the Uniform Commercial Code of the State of West Virginia, is subject to the Uniform Customs and Practice for Documentary Credits (1974 Revision), International Chamber of Commerce, Publication No. 290 (the "Uniform Customs"). This Letter of Credit shall be deemed to be a contract made under the laws of the State of West Virginia and shall be governed by and construed in accordance with the laws of said State, without regard to principals of conflicts of law.

Very truly yours

RALEIGH COUNTY NATIONAL BANK

By 

Its Senior Vice President

DWS:bc

REIMBURSEMENT AGREEMENT

Reimbursement Agreement, made and entered into as of this 1st day of December, 1983, by and between the CRAB ORCHARD MacARTHUR PUBLIC SERVICE DISTRICT, a public service district organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "District"), and RALEIGH COUNTY NATIONAL BANK, a national banking association, with principal offices in Beckley, West Virginia (the "Bank").

I. RECITALS

WHEREAS, by a resolution adopted and supplemented by the public service board of the District (the "Board") on November 9, 1983, (the "Resolution"), the District authorized the issuance of its Sewerage System Refunding and Construction Notes, Series 1983 (the "Notes"), dated December 1, 1983, in the aggregate principal amount of \$7,620,000 to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes"), and to finance certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of which have previously been paid for in part from the proceeds of the 1982 Notes (the "Project"; together with any extensions or improvements thereto, the "System"), pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA"), grants from the West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development ("GOECD") (the grants from the Authority, ARC and GOECD, together with any other grant hereafter received by the District in aid of financing any costs of the Project, are hereinafter referred to as the "Other Grants") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser; and

Revised by [unclear] and further supplemented on Decem 2, 1983

Revised by [unclear]

five

WHEREAS, the Notes will be issued pursuant to the trust indenture dated as of December 1, 1983 (the "Indenture"), between the District and Raleigh County National Bank, a national banking association, Beckley, West Virginia, as trustee (the "Trustee"); and

WHEREAS, in order to secure a "MIG-1" rating from Moody's Investors Service, Inc. ("Moody's"), on the Notes, which will result in a more favorable interest rate on the Notes, it is necessary that the Notes be secured by an Irrevocable Letter of Credit, issued by a commercial bank acceptable to Moody's, to the extent of (i) ten percent (10%) of the costs of the Project incurred by the District and eligible for reimbursement by the EPA, as may be withheld from time to time by the EPA pending satisfactory completion of the EPA audit (as such amount is certified by the District's consulting engineers to the Trustee and the District sixty (60) days prior to the scheduled maturity of the Notes, the "EPA Retainage") and (ii) an amount equal to the estimated total costs of the Project, excluding the estimated costs of issuance of the Original Bonds, less the estimated moneys to be received by the District on account of said grants from the EPA and the Other Grants after the date of issuance

of the Notes, the estimated earnings on the Notes Debt Service Fund, the Grant Receipts Fund and the Notes Construction Trust Fund established by the Indenture, the estimated fees to be paid, prior to the maturity of the Notes, by prospective customers of the System in order to connect thereto and estimated net revenues of the System to be received prior to the maturity of the Notes (as such amount is calculated on the date of purchase of the Notes, the "Local Share"), or such lesser amount as shall be acceptable to Moody's.

WHEREAS, both the Bank and the amount of \$4,070,000 are acceptable to Moody's; and

WHEREAS, the District has requested the Bank to issue such a Letter of Credit in substantially the form of Exhibit A attached hereto and incorporated herein by reference (the "Letter of Credit"), in the amount of \$4,070,000; provided, that the draw under such Letter of Credit may be made only for the purposes and is limited to the amount described in the Letter of Credit.

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to issue the Letter of Credit, the parties hereby agree as follows:

II. DEFINITIONS

Unless otherwise specifically defined in this Agreement, the capitalized terms used herein shall have the meanings respectively given them in the Indenture. In addition, the following words shall have the following meanings herein:

(a) "Agreement" means this Reimbursement Agreement, dated as of December 1, 1983, between the District and the Bank, as the same may be amended, or supplemented from time to time.

(b) "Bank" means Raleigh County National Bank, Beckley, West Virginia, a national banking association, and its successors and assigns.

(c) "Business Day" means a day on which both the Bank and the Trustee are open for business at their respective offices in Beckley, West Virginia.

(d) "Closing" means the issuance by the Bank and delivery to the Trustee of the Letter of Credit and the issuance by the District and delivery by the Trustee to the Original Notes Purchaser of the Notes.

(e) "Issuance Date" means the date of original issuance of the Notes.

(f) "Letter of Credit" means that certain Letter of Credit to be issued by the Bank for the benefit of the Trustee, dated the Issuance Date, in substantially the form of Exhibit A attached hereto and incorporated herein by reference, including all replacements and substitutions therefor.

the net proceeds of any refunding notes or other obligations issued for such purpose and the Net Revenues; provided, that Refunding Notes issued to fund a deficiency in the Notes Debt Service Fund due solely to the EPA Retainage shall not be secured by or payable from the net proceeds of the Original Bonds, and Refunding Notes issued to fund a deficiency due solely to the failure to issue the Original Bonds shall not be secured by or payable from the EPA Grant Receipts; and provided, further, that the lien on any of said sources of payment may be subordinate to the lien on behalf of any Notes then Outstanding, and the lien on said Net Revenues may be subordinate to the lien on behalf of the Original Bonds. In the event that the Refunding Notes are not paid in full at or prior to the maturity thereof, they shall thereafter bear interest at the rate of twelve percent (12%) per annum; provided, that in no event shall the Refunding Notes remain unpaid in full more than five (5) years after the stated date of maturity thereof. Except as provided above and as otherwise specifically provided herein, the registered owners of the Refunding Notes shall be secured in the same manner and to the same extent as the Holders of the Notes are secured; provided, that the registered owners of the Refunding Notes shall not be secured by the Letter of Credit. The District hereby specifically recognizes that the registered owners of the Refunding Notes shall be secured by the statutory mortgage lien created by Section 19 of the Act.

IV. APPLICATION FOR AND TERMS PERTAINING TO THE LETTER OF CREDIT

4.01. Application by the District for Issuance of the Letter of Credit. The District hereby applies to the Bank for, and authorizes and instructs the Bank to issue, for the District's account, the Letter of Credit in the maximum amount of \$4,070,000, in favor of the Trustee, as assurance for the payment of a portion of the Notes, in substantially the form of Exhibit A attached hereto and containing substantially the terms and conditions set forth therein, all of which are by this reference incorporated herein with the same force and effect as if set forth herein. The Letter of Credit shall be delivered to the Trustee as the beneficiary thereof at the Closing, shall provide for the payment of the draft presented for, on or thereunder by the beneficiary thereof, in accordance with the terms thereof, when accompanied by the documents prescribed therein, and shall expire on the Termination Date.

4.02. Commitment of the Bank To Issue the Letter of Credit. Subject to the terms and conditions hereof, the Bank agrees to establish and issue the Letter of Credit for the District's account.

4.03. Letter of Credit Fees. The District agrees to pay the Bank at the Closing a commitment fee with respect to the Letter of Credit in the amount of \$95,645.

4.04. Expenses. The District hereby agrees to pay to the Bank, on demand, any and all reasonable expenses incurred or paid by the Bank in connection with the preparation and negotiation of this Agreement and the instruments referred to herein and with the closing of the transactions contemplated hereby and for protecting, collecting or enforcing the District's obligations to the ~~Bank under this Agreement.~~

V. MISCELLANEOUS

5.01. Covenants. The District hereby specifically reaffirms the representations, covenants and warranties, including those with respect to the existence, amounts and maintenance of the Grants, made in the Resolution and the Indenture. The District hereby agrees to furnish the Bank, semi-annually prior to the draw under the Letter of Credit and annually thereafter, with a certificate of the Consulting Engineers setting forth the status of construction of the Project and of each of the Grants. Except as otherwise provided herein or in the Indenture, as supplemented, the covenants and warranties made by the District for the benefit of the Holders of the Notes shall apply to the registered owners of the Refunding Notes.

5.02. Governing Law. Except as specifically set forth herein or in the Letter of Credit, this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State.

5.03. Continuing Obligation. This Agreement is a continuing obligation and shall be binding upon the District, its successors and assigns, and inure to the benefit of and be enforceable by the Bank and its successors, transfers and assigns; provided, however, that the District may not assign all or any part of this Agreement without the prior written consent of the Bank.

5.04. Assignment by the Bank. The Bank may assign, negotiate, pledge or otherwise hypothecate all or any portion of this Agreement or grant participations herein, or in any of its rights and security hereunder; provided, that no such assignment by the Bank will relieve the Bank of its obligations under this Agreement or the Letter of Credit.

5.05. Severability. In case any one provision contained in this Agreement or any document, instrument or other writing herein provided for shall be invalid, illegal or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

5.06. Entire Agreement. This Agreement and the documents executed in connection herewith contain the entire agreement of the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein or incorporated herein by reference shall be of any force and effect. This Agreement may be amended only by written agreement signed by the party against whom such amendment is sought to be enforced.

5.07. Counterpart. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

5.08. Termination. This Agreement shall terminate upon the later of (i) the Termination Date or (ii) payment in full of all amounts due to the Bank hereunder by the District.

IN WITNESS WHEREOF, the Bank and the District have caused this Reimbursement Agreement to be signed by their officers thereunto duly authorized, as of the date first herein set out.

RALEIGH COUNTY NATIONAL BANK

By *[Signature]*
Its *Vice President*

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

By *[Signature]*
Chairman,
Public Service Board

Exhibit A

[Letterhead of Raleigh County National Bank]

IRREVOCABLE LETTER OF CREDIT

December __, 1983

Letter of Credit No. _____

Raleigh County National Bank
as trustee for the below-mentioned
Notes
129 Main Street, Box 1269
Beckley, West Virginia 25801

Attention: Corporate Trust Department

Re: Crab Orchard-MacArthur Public Service District
Sewerage System Refunding and Construction Notes,
Series 1983

Gentlemen:

At the request and on the instructions of our customer, the Crab Orchard-MacArthur Public Service District (the "District"), we, the undersigned bank (the "Bank"), hereby establish in your favor this Letter of Credit in the original aggregate amount of \$4,070,000 (the "Stated Amount"). There may be only one demand for payment hereunder, and such demand shall not exceed the Stated Amount.

This Letter of Credit is issued to you, as trustee under the trust indenture dated as of December 1, 1983 (the "Indenture"), between the District and you, and is for the benefit of the registered owners of the \$7,620,000 in aggregate principal amount of the District's Sewerage System Refunding and Construction Notes, Series 1983, dated as of December 1, 1983 (the "Notes"). The Notes are issued by the District pursuant to and in accordance with the Indenture and that certain enabling resolution adopted and supplemented by the public service board of the District (the "Board") on November 9, 1983, and amended thereby on December 2, 1983 (the "Resolution"), to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes") and to pay certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of

which have previously been paid for in part from the proceeds of the 1982 Notes (the "Project"); pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA"), a grant from the West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development ("GOECD") (the grants from the Authority, ARC and GOECD, together with any other grant hereafter received by the District in aid of financing the costs of the Project, are hereinafter referred to as the "Other Grants") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser.

As defined in the Indenture and used herein (including in Exhibit I hereto), "EPA Retainage" means ten percent (10%) of the costs of the Project eligible for reimbursement by the EPA, or such lesser amount of said eligible costs, as may be withheld from time to time by the EPA pending satisfactory completion of the EPA audit, which amount shall be certified by the District's consulting engineers to the Trustee and the District on April 2, 1983; "EPA Retainage Deficiency" means the amount of any deficiency in the Notes Debt Service Fund established under the Indenture attributable to the EPA's withholding the EPA Retainage, which amount may be less than or equal to the EPA Retainage; "Local Share" means the amount of \$3,320,000; "Local Share Deficiency" means the amount of any deficiency in the Notes Debt Service Fund attributable to the District's failure to issue the Original Bonds in an amount, the net proceeds of which shall at least equal the Local Share, which amount may be less than or equal to the Local Share.

This Letter of Credit is irrevocable, with respect to any Note originally issued pursuant to the Indenture (including Notes issued in exchange or as replacements therefor), to the extent set forth herein, but no refunding notes or other obligations issued to pay the principal of or interest on the Notes are entitled to the benefits of this Letter of Credit.

Subject to the further provisions of this Letter of Credit, the demand for payment hereunder may be made by you on or after April 30, 1986, in the event, and only in the event, there are not or will not be funds in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, on May 2, 1986, sufficient to pay, at maturity, the entire principal of and interest on the Notes and such deficiency is due in whole or in part (i) to the EPA Retainage, (ii) to the District's failure to issue and sell the Original Bonds as prescribed by the Indenture or (iii) both. On or after such date and in such event, the demand for payment hereunder may be made by you by presentation to the Bank at its above address of

your certificate, on your letterhead and signed by the President, a Vice President or a Trust Officer of your Bank, in the form of Exhibit I attached hereto and incorporated herein by reference, duly completed. In accordance with said Exhibit I and as set forth on said certificate of the Trustee, such demand shall be in an amount which shall equal the sum of: (i) the EPA Retainage Deficiency and (ii) the Local Share Deficiency, but not more than \$4,070,000 less the costs of issuing certain refunding notes to evidence the District's obligation to repay such draw (the "Refunding Notes").

Demand for payment under this Letter of Credit may be made by you on or after April 30, 1986, and prior to the expiration hereof at any time during the Bank's business hours at its aforesaid address in Beckley, West Virginia, on a Business Day (as hereinafter defined). As used herein, the term "Business Day" means a day on which both the Bank (at its above address) and you (at your above address) are open for the purpose of conducting a commercial banking business. If demand for payment is made by you hereunder at or prior to 10:00 a.m., prevailing time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the Business Day next succeeding the date of said demand. If demand for payment is made by you hereunder after 10:00 a.m., prevailing time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 p.m., prevailing time, on the second (2nd) Business Day next succeeding the date of said demand. If the demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, the Bank shall give you prompt notice that the purported negotiation was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that the Bank is holding any documents at your disposal or is returning the same to you, as the Bank may elect. Upon being notified that the purported negotiation was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming demand for payment if, and to the extent that, you are entitled (without regard to the provisions of this sentence) and able to do so.

This Letter of Credit shall expire on the earlier to occur of (i) the Bank's close of business at its aforesaid address in Beckley, West Virginia, on June 1, 1986, or (ii) the payment in full, or defeasance pursuant to Section 8.01 of the Indenture, of the Notes; provided, that, if either of said dates shall not be a Business Day, this Letter of Credit shall

expire on the close of business at such address on the first Business Day next succeeding said date. If the Bank is not then in default hereunder by reason of its having wrongfully failed to honor a demand for payment hereunder, this Letter of Credit shall be promptly surrendered by you to the Bank upon any expiration pursuant to the preceding sentence.

All documents presented to the Bank in connection with any demand for payment hereunder, as well as all notices and other communications to the Bank in respect of this Letter of Credit, shall be in writing and addressed and presented to the Bank at its above address, Attention: Commercial Loan Department, and shall make specific reference to this Letter of Credit by number. Such documents, notices and other communications shall be personally delivered to the Bank or may be sent to the Bank by the United States mail, postage prepaid, first class certified, return receipt requested; provided, that no document, notice or other communication mailed to the Bank shall be considered delivered until actually received by the Bank.

This Letter of Credit, including the Exhibit hereto, sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein except the Uniform Customs (as hereinafter defined) or which refers to this Letter of Credit or to which this Letter of Credit relates, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is not transferable and, except as otherwise expressly stated herein and to the extent not inconsistent with the Uniform Commercial Code of the State of West Virginia, is subject to the Uniform Customs and Practice for Documentary Credits (1974 Revision), International Chamber of Commerce, Publication No. 290 (the "Uniform Customs"). This Letter of Credit shall be deemed to be a contract made under the laws of the State of West Virginia and shall be governed by and construed in accordance with the laws of said State, without regard to principles of conflicts of law.

Very truly yours,

RALEIGH COUNTY NATIONAL BANK

By _____
Its _____

Exhibit I to Letter of Credit No. _____
issued by Raleigh County National Bank.

[Letterhead of Raleigh County National Bank, as Trustee]

Raleigh County National Bank
129 Main Street, Box 1269
Beckley, West Virginia 25801

Attention: Commercial Loan Department
Letter of Credit No. _____

Gentlemen:

We refer to your Letter of Credit No. _____ (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein.

1. As the Trustee pursuant to the Indenture, in trust for the registered owners of the below-mentioned Notes, we hereby make demand for payment under the Letter of Credit to pay the unpaid principal of and interest on the Notes, which have been duly issued by the District under and in accordance with the Indenture and the Resolution, to the extent of the sum of the EPA Retainage Deficiency and the Local Share Deficiency, but not to exceed \$4,070,000, less the costs of issuing the Refunding Notes.

2. Said Notes all mature on June 1, 1986.

3. The serial number, registered owner and principal amount of each such Note is as follows:

<u>Serial Number</u>	<u>Registered Owner</u>	<u>Principal Amount</u>
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4. The aggregate amount of principal and interest due and payable in respect of such Notes on the maturity thereof is _____ Dollars (\$_____).

5. The aggregate amount on deposit in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, created by Section 4.01 of the Indenture is _____ Dollars (\$_____).

6. There is a positive difference when the aggregate amount mentioned in Item 5 above is subtracted from the aggregate amount mentioned in Item 4 above; accordingly, the amount on deposit in the Notes Debt Service Fund is not sufficient to pay the principal of and interest on the Notes at maturity to the extent of such positive difference.

7. Such deficiency in the Notes Debt Service Fund is due in whole or in part (i) to the EPA Retainage, (ii) to the District's failure to issue and sell the Original Bonds as prescribed by the Indenture or (iii) both. In making such statement, we have relied upon certain representations made to us by the District.

8. The amount of such deficiency attributable to the EPA's withholding the EPA Retainage (the EPA Retainage Deficiency) is \$ _____. In making such statement, we have relied upon certain representations made to us by the District.

9. The amount of such deficiency attributable to the District's failure to issue the Original Bonds in an amount, the net proceeds of which shall at last equal the Local Share (the Local Share Deficiency) is \$ _____. In making such statement, we have relied upon certain representations made to us by the District.

10. Accordingly, the sum of the EPA Retainage Deficiency and the Local Share Deficiency is \$ _____.

11. The estimated costs of issuing the Refunding Notes aggregate \$ _____. In making such statement, we have relied upon certain representations made to us by the District.

12. Payment is hereby demanded for the amount set forth in Paragraph 10, above, being the sum of the EPA Retainage Deficiency and the Local Share Deficiency, plus the estimated costs of issuing the Refunding Notes set forth in Paragraph 11, above, such total amount hereby demanded being, as expressed in words and figures:

_____ DOLLARS (\$ _____).

13. Upon receipt of the amount demanded under this Letter of Credit, we will (a) deposit the amount specified in Paragraph 10 in the Notes Debt Service Fund and apply it promptly to the payment of the principal and interest owing on account of the Notes and apply the amount specified in Paragraph 11 directly to the payment of the costs incurred by the District in issuing its Refunding Notes and (b) mark each such Note "paid as to principal and interest" and cancel any such Notes which have been paid in full in accordance with the Indenture. Except with respect to the amount specified in Paragraph 11 for payment of the costs of issuance of the Refunding Notes, no portion of said amount will be applied by us for any purpose other than to pay the principal of and interest on the Notes at the maturity thereof.

Please [deposit] [wire transfer] the amount hereby
demanded [in our account number _____ with] [to] _____
at _____.

By _____
President/Vice President/
Trust Officer

Exhibit B

No. R-1

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH
CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION REFUNDING NOTE,
SERIES 198_

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the Crab Orchard-MacArthur Public Service District, a public service district organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "District"), for value received, hereby promises to pay to Raleigh County National Bank, Beckley, West Virginia (the "Bank"), or registered assigns, on the _____ day of _____, 198_,¹ upon surrender hereof, the sum of _____ Dollars (_____). Interest on said sum from the date hereof at the rate per annum of seventy-five percent (75%) of the prime rate being charged by Chemical Bank, New York, New York, on the date hereof, but not more than twelve percent (12%) per annum, is payable monthly, beginning one month from the date hereof. Both principal of and interest on this Note are payable in any coin or currency which, on the maturity date hereof, is legal tender for the payment of public and private debts under the laws of the United States of America, at the principal office of Raleigh County National Bank, Beckley, West Virginia, as trustee (the "Trustee").

This Note represents the entire issue of Notes (the "Notes"), in the aggregate principal amount of \$ _____, issued to evidence the District's obligation to reimburse the Bank for the draw by the Trustee under that certain Letter of Credit No. _____ (the "Letter of Credit") issued by the Bank. The proceeds of said draw, after the payment of the costs of issuance of the Notes and related costs, were deposited by the Trustee in the Notes Debt Service Fund created by Section 4.01 of the trust indenture dated as of December 1, 1983, between the District and the Trustee (the "Original Indenture") and used to pay a portion of the principal of and interest on the District's \$7,620,000 in aggregate principal amount of Sewerage System Refunding and Construction Notes, Series 1983 (the "1983 Notes"), at the maturity thereof on June 1, 1986. The 1983

¹One year from the date hereof.

Notes were issued to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes") and to pay certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of which had previously been paid in part from the proceeds of the 1982 Notes (the "Project")(the Project, together with any extensions and improvements thereto, is hereinafter referred to as the "System") pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA Grant Receipts") and of a grant from West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development ("GOECD") (the grants from the Authority, ARC and GOECD, together with the proceeds of any other grant hereafter received by the District in aid of financing any costs of the Project, are hereinafter referred to as the "Other Grant Receipts") (the EPA Grant Receipts and the Other Grant Receipts are hereinafter referred to collectively as the "Grant Receipts") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser, and were issued in anticipation of such Grant Receipts and the net proceeds of such Original Bonds.

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 Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the public service board of the District on the _____ day of _____, 198_, and is issued and secured pursuant to the terms of Section 3.05 of the Original Indenture, as supplemented with respect to the Notes in accordance with Subsection 9.01(B) of the Original Indenture (collectively, the "Indenture"), and is subject to all the terms and conditions of said Indenture.

This Note is subject to prepayment in whole or in part upon five (5) days' written notice to the registered owner hereof.

This Note is a special obligation of the District, payable as to both principal and interest solely from [the Grant Receipts received after the date of delivery hereof,] [the Other Grant Receipts received after the date of delivery hereof,] [the net proceeds of the Original Bonds] and other moneys, including investment income and unexpended 1983 Note proceeds and Note proceeds, held in the funds and accounts established by the Indenture; the net proceeds of any refunding notes or other obligations issued for such purpose; and the net revenues derived from the operation of the System (the "Net Revenues"). Pursuant to the Indenture, the District has pledged and assigned [said Grant Receipts,] [said Other Grant

Receipts,] [the net proceeds of said Original Bonds] and said other moneys, including investment income and unexpended 1983 Note proceeds and Note proceeds, held in the funds and accounts established by the Indenture, said net proceeds of any refunding notes or other obligations issued for the purpose of paying the principal of and interest on the Notes and said Net Revenues to the Trustee, to be held by the Trustee to secure the payment of the Notes [; provided, that said pledge is subordinate to the lien on behalf of the 1983 Notes][; provided, that said pledge of the Net Revenues is subordinate to the lien on behalf of the Original Bonds]. The payment of the principal of and interest on this Note is further secured by the statutory mortgage lien created by Section 19 of the Act.

This Note does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same or the interest hereon except from the sources specified above. The general funds, if any, of the District are not liable, and neither the full faith and credit nor the taxing power, if any, of the District is pledged, for the payment of the principal of or interest on this Note.

Under the Indenture, the District has entered into certain covenants on behalf of the registered owner hereof, for the terms of which reference is made to said Indenture. The District has covenanted not to issue any obligations with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on behalf of the Notes, so long as the Notes are outstanding [; provided, that the 1983 Notes have a prior lien][; provided, that the Original Bonds have a prior lien on the Net Revenues]. Remedies provided the Trustee on behalf of the registered owner hereof, and to said registered owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

Notwithstanding any other provision hereof to the contrary, in the event that this Note is not paid in full at or prior to the maturity hereof, it shall thereafter bear interest at the rate of twelve percent (12%) per annum; provided, that in no event shall this Note remain unpaid in full more than five (5) years after the stated date of maturity hereof.

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, but may be transferred only on the books of the District kept for that purpose at the office of the Trustee, upon surrender of this Note to the Trustee together with a written instrument of transfer satisfactory to the Trustee and as otherwise provided by the Indenture.

All money received from the draw under the Letter of Credit, the reimbursement to the Bank of which is evidenced by

the Notes, shall be applied solely to the payment of the costs of issuance of the Notes and related costs and to the payment of the principal of and interest on the 1983 Notes at the maturity thereof, to the extent [the EPA Retainage Deficiency,] [the Local Share,] [the aggregate of the EPA Retainage Deficiency and the Local Share,] as defined in the Indenture and the Letter of Credit, and the Indenture creates a lien upon such moneys, until so applied, in favor of the registered owner hereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note 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 District, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

IN WITNESS WHEREOF, the Crab Orchard-MacArthur Public Service District, Raleigh County, West Virginia, has caused this Note to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of its Public Service Board, all as of this ____ day of _____, 198_.'¹

Chairman

[SEAL]

ATTEST:

Secretary

¹The date of delivery.

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This Note is one of the Notes described in the within-mentioned Indenture and has been duly registered in the name set forth above.

Trustee

By _____
Its Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto [please print or type name, address and federal employer identification number, social security number or similar taxpayer identification number of transferee] _____

the within Note of the Crab Orchard-MacArthur Public Service District, Raleigh County, West Virginia, and does hereby irrevocably constitute and appoint _____, attorney to transfer the said Note on the books of the District, with full power of substitution in the premises.

[The signature to this Assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.]

Dated: _____

In the Presence of: _____

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS,
and
SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION NOTES, SERIES 1983

BOND AND NOTES RESOLUTION

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11/08/83
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CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWAGE FACILITIES OF CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, THE REFUNDING OF THE OUTSTANDING SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1982, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$4,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS AND NOT MORE THAN \$10,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION NOTES, SERIES 1983; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES, AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any resolutions supplemental hereto, the "Bond Legislation") is enacted 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. Crab Orchard-MacArthur Public Service District (herein the "Issuer or the District") is a public service district and public corporation and political subdivision of the State of West Virginia in Raleigh County of said State.

B. The Issuer has heretofore issued its Sewerage System Construction Notes, Series 1982, dated October 1, 1982, in the aggregate principal amount of \$5,150,000 (the "1982 Notes") to temporarily finance a portion of the costs of acquisition and construction of certain new sewerage collection and treatment facilities in the southern area of the District (the "Southern Phase") under and pursuant to a Bond and Notes Resolution adopted October 1, 1982 (the "1982 Resolution"), which 1982 Resolution also authorized the issuance of sewer revenue bonds of the Issuer to provide permanent financing of the local share of the Southern Phase, but which sewer revenue bonds have not been and will not be issued. The costs of acquisition and construction of the Southern Phase were to be paid from two grants from the United States Environmental Protection Agency (collectively, the "Southern Phase EPA Grant") and said sewer revenue bonds. A portion of acquisition and construction of the Southern Phase has been completed and paid for.

C. The Issuer now desires to authorize the acquisition and construction of additional sewerage collection facilities in the northern area of the Issuer (the "Northern Phase"), and to provide temporary and permanent financing therefor and for Costs of the Southern Phase yet to be completed by the issuance of its Sewerage System Refunding and Construction Notes, Series 1983, and bonds as hereinafter provided. The United States Environmental Protection Agency has awarded a grant to pay a portion of the costs of acquisition and construction of the Northern Phase (the "Northern Phase EPA Grant") and grants from the Authority, the Appalachian Regional Commission, the West Virginia Governor's office of Economic and Community Development and The County Commission of Raleigh County (collectively, the "Other Grants") have been awarded to pay a portion of the costs of acquisition and construction of the Southern Phase and Northern Phase. The Southern Phase and the Northern Phase represent all the sewerage facilities presently contemplated to be acquired and constructed by the Issuer and are herein collectively called the "Project". The Southern Phase EPA Grant and the Northern Phase EPA Grant are collectively called herein the "EPA Grant", the EPA Grant and the Other Grants are collectively called herein the "Grants" and the proceeds of the Grants received by the Issuer after delivery of the 1983 Notes are collectively called herein the "Grant Receipts" and individually referred to as the "EPA Grant Receipts" or the "Other Grant Receipts" as the context requires.

D. The 1982 Resolution prohibits the issuance by the Issuer of any additional obligations which are secured by and payable from the same sources as the 1982 Notes and it is therefore necessary, in order to acquire and construct the Project, to refund the 1982 Notes, redeem the 1982 Notes on the next permitted redemption date, being April 1, 1984, and provide for the issuance

of Sewer Revenue Bonds (the "Bonds") in a greater principal amount than was authorized by the 1982 Resolution.

E. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that the Project, which constitutes public service properties for the collection and treatment of liquid or solid wastes, sewage or industrial wastes, be acquired and constructed (the Project, together with any additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$16,367,207, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Public Service Board of the Issuer.

F. The estimated revenues to be derived in each year after issuance of the Bonds 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 Fund, Reserve Account and other payments provided for herein.

G. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the principal amount of not more than \$4,000,000, and prior to the issuance thereof, to issue its Sewerage System Refunding and Construction Notes, Series 1983 (the "Notes" or the "1983 Notes"), in the aggregate principal amount of not more than \$10,000,000 to finance costs of refunding and paying the 1982 Notes at the next redemption date and construction and acquisition 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 Notes and the Bonds prior to and during construction or acquisition and for six months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost 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, 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 Notes and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, the refunding of the 1982 Notes, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any commitment fees to the Credit Bank, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable Costs prior to the issuance of the Notes or the repayment of indebtedness incurred

by the Issuer for such purposes, shall be deemed Costs of the Project.

H. The period of usefulness of the System after completion of the Project is not less than forty years.

I. It is in the best interests of the Issuer that its Original Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority.

J. The 1982 Notes will be refunded by depositing, on the date of issuance of the 1983 Notes, proceeds of the 1983 Notes in escrow, which, together with other sums available therefor and earnings thereon, will be sufficient to pay the entire principal amount of the 1982 Notes and the interest accrued thereon on April 1, 1984. Therefore, as of the date of issuance of the 1983 Notes there will not be outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds or the Notes as to lien and source of and security for payment, except that any Notes Outstanding at the time of issuance of the Bonds will rank prior to the Bonds to the extent such Notes are secured by and payable from the Net Revenues (as hereinafter defined) of the System.

K. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity and approval of said financing from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes 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 such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and between any one Note and any other Notes, 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, which is expected to be the original purchaser of the Original Bonds, as hereinafter defined, or any other agency of the State of West Virginia that succeeds to the functions of the Authority; provided, that as of the date hereof the Authority has committed to purchase such Original Bonds only in an aggregate principal amount not to exceed \$3,470,000.

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

"Board" or "Governing Body" means the Public Service Board of Crab Orchard-MacArthur Public Service District and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Crab Orchard-MacArthur Public Service District.

"Bondholder" or "Holder of the Bonds" 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" or "Resolution" means this Resolution and all resolutions supplemental hereto or amendatory hereof.

"Bonds" means the Original Bonds as hereinafter defined, and any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Board of the Issuer.

"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 Gates Engineering Company, Beckley, West Virginia 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 1.02(G) hereof to be a part of the cost of construction and acquisition of the Project.

"Credit Bank" means Raleigh County National Bank, Beckley, West Virginia, which will issue the Letter of Credit, as hereinafter defined.

"Eligible Costs" or similar phrases means only the Costs eligible for reimbursement by the EPA, as hereinafter defined.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means collectively, the two grants from the EPA for the Southern Phase and the single grant from the EPA for the Northern Phase pursuant to the commitments therefor.

"Escrow Agreement" means the agreement between the Issuer and the Escrow Trustee, substantially in the form of the agreement attached hereto as Exhibit A and by this reference made a part hereof, relating to the refunding of the 1982 Notes.

"Escrow Fund" means the irrevocable trust fund established by the Escrow Agreement, to be applied to redemption of the 1982 Notes in the manner set forth in the Escrow Agreement.

"Escrow Trustee" means Raleigh County National Bank, a national banking association with principal office in the City of Beckley, West Virginia, and its successors and assigns.

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

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

"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.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, as hereinafter defined, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which Grant is to be paid to the Issuer;

provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

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

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture dated as of December 1, 1983, between the Issuer and the Trustee and all supplements or amendments thereto.

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

"Letter of Commitment" means the letter of the Authority whereby the Authority has agreed to purchase not more than \$3,470,000 in aggregate principal amount of the Issuer's Original Bonds, pursuant to the Authority's loan program, subject to the satisfaction by the Issuer of certain legal and other requirements in conjunction with the purchase of such Original Bonds.

"Letter of Credit" means the Letter of Credit issued by the Credit Bank, pursuant to which the said bank has agreed to pay to the Trustee upon presentation by the Trustee of certain certificates, the sum of not to exceed \$3,470,000.

"Loan Agreement" shall mean the Loan Agreement expected to be entered into between the Authority and the Issuer providing as to purchase of the Original Bonds from the Issuer by the Authority.

"Local Share" means the amount of \$3,320,000.

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

"Northern Phase" means the acquisition and construction of new sewage collection facilities in the northern area of the District, which acquisition and construction will commence after issuance of the 1983 Notes.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund established by Section 4.01 of the Indenture.

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

"Notes" or "1983 Notes" means the not more than \$10,000,000 in aggregate principal amount of Sewerage System Refunding and Construction Notes, Series 1983, originally authorized hereby, and, unless the context clearly indicates otherwise, the term "Notes" includes any refunding notes of the Issuer.

"1982 Notes" means the \$5,150,000 aggregate principal amount of Sewerage System Construction Notes, Series 1982, dated October 1, 1982, issued to provide temporary financing for the Southern Phase.

"Notes Debt Service Fund" means the Notes Debt Service Fund established by Section 4.01 of the Indenture.

"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 fiscal agents, the Escrow Trustee, the Registrar, Paying Agent and the Trustee (all as hereinafter 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 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 Bonds" or "Bonds originally authorized hereby" or similar phrases mean the not more than \$4,000,000 in aggregate principal amount of Sewer Revenue Bonds issued for the purpose of refunding a portion of the Notes and for such other purposes permitted hereby and authorized by a resolution supplemental hereto, which Bonds shall be issued in one or more series as determined by a resolution or resolutions supplemental hereto and which are originally authorized hereby.

"Original Notes Purchaser" means Young Moore & Company, Inc.

"Other Grants" means, collectively (or, if used in the singular, alternately), the grants, pursuant to the respective commitments therefor, in aid of financing certain Costs from the Authority, the Appalachian Regional Commission, the Governor's Office of Economic and Community Development and The County Commission of Raleigh County, together with any other grant hereafter received by the Issuer to aid in financing any costs.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being delivered or all Notes theretofore and thereupon being authenticated and delivered except (1) any Bond or Note cancelled (or any Bond being held for future exchange) by the Registrar or treasurer of the State of West Virginia, as applicable, at or prior to said date; (2) any Bond or Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust hereunder or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (3) any Bond or Note deemed to have been paid as provided in Article X hereof or Article VIII of the Indenture, as applicable; and (4) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes registered to the Issuer.

"Paying Agent" means the Trustee, which may act through a duly appointed agent pursuant to Section 7.02 of the Indenture, as

paying agent for the Notes, or any successor thereto pursuant to Section 7.12 of the Indenture.

"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 acquisition and construction of a new sewerage system of the Issuer, a portion of which has previously been acquired and constructed and the cost of which has heretofore been paid with proceeds of the 1982 Notes. When used herein the term "Project" shall include the entire Southern Phase and Northern Phase, including such portion of the Southern Phase as has heretofore been acquired and constructed.

"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; Federal Farm Credit Bank; 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 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; and

(e) 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.

"Refunding Notes" means the not more than \$3,470,000 in aggregate principal amount of refunding notes originally provided for by Section 3.05 of the Indenture to be issued by the Issuer and delivered to the Credit Bank to evidence a draw by the Trustee under the Letter of Credit to pay the principal of the Notes that would otherwise have been paid from the proceeds of the Bonds or which shall be issued for the purpose of paying the "EPA Retainage Deficiency", as such term is defined in the Indenture, or both, to the extent of the Letter of Credit.

"Registrar" means the bank designated as Registrar in the Indenture.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

"Reserve Account" means the Reserve Account established in the Sinking Fund, as hereinafter defined, pursuant to Section 5.01 hereof.

"Resolution" means this Bond and Notes Resolution and all supplements or amendments thereto.

"1982 Resolution" means the Bond and Notes Resolution adopted October 1, 1982, authorizing issuance of the 1982 Notes.

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

"Secretary" means the Secretary of the Board.

"Sinking Fund" means the Sinking Fund established by Section 5.01 hereof.

"State" means the State of West Virginia.

"State Treasurer" means the treasurer of the State or any successor to the functions of such office.

"Supplemental Resolution" means any resolution of the Issuer supplementing this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Notes and the Supplemental Resolution authorizing the sale of the Original Bonds, as the case may be; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes or the Original Bonds, as the case may be, and not so included may be included in another Supplemental Resolution.

"Southern Phase" means the acquisition and construction of certain new sewage collection and treatment facilities in the southern area of the District, a portion of which acquisition and construction has been completed and paid for from proceeds of the 1982 Notes, the remainder of which is to be financed in part by proceeds of the 1983 Notes and other moneys available therefor.

"System" means the complete public service properties of the Issuer for the collection and treatment of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include the Project and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

"Trustee" means Raleigh County National Bank, Beckley, West Virginia and its successors and assigns.

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 gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF REFUNDING OF 1982 NOTES AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization and Order for Refunding of 1982 Notes; Escrow Fund. The 1982 Notes outstanding as of the date of adoption of this Resolution are hereby ordered and authorized to be refunded pursuant to the terms of the Escrow Agreement, and the lien of said 1982 Notes imposed by the 1982 Resolution on the Grant Receipts, proceeds of refunding notes, Net Revenues, amounts held in funds established under the 1982 Resolution and any and all other moneys or security (except as provided in the Escrow Agreement) is hereby terminated, discharged and released upon payment into the Escrow Fund from the proceeds of the Notes, together with other moneys available therefor, including those moneys transferred as provided below, of the following:

(a) an amount equal to the fiscal and paying agent charges; and

(b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient to provide for the payment of the principal of and interest on the 1982 Notes on April 1, 1984.

Contemporaneously with the deposit of such Note proceeds into the Escrow Fund, and as prescribed in the Escrow Agreement, the amounts on deposit in the accounts and funds established by the 1982 Resolution shall be transferred and credited to the Escrow Fund.

The Notes originally issued under the Indenture or any notes issued as replacements or substitutions therefor, shall be first lien notes. There will not be, upon issuance of the Notes, any notes or other obligations of the Issuer outstanding.

Section 2.02. Authorization of Acquisition and Construction of the Project. There is hereby authorized the construction and acquisition of the Project, at an estimated cost of \$16,367,207, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed with the Secretary. The proceeds of the Notes and the Bonds hereby authorized shall be applied as provided in Article IV of the Indenture and Article VI hereof, respectively.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purpose of refunding a portion of the Notes, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, and for such other purposes as may be set forth in the Supplemental Resolution, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$4,000,000; provided, that said Original Bonds may not be issued for any purpose other than refunding all or a portion of the Notes, and purposes incidental thereto, so long as any of the Notes are Outstanding. Said Bonds shall be designated "Sewer Revenue Bonds," of one or more series as determined by the Supplemental Resolution, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall not be issued contemporaneously with the Notes, but shall be issued when needed to refund a portion of the Notes in accordance with the Indenture. The proceeds of the Bonds (excluding accrued interest) remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall be deposited in the Notes Debt Service Fund and applied solely to the payment of the principal of the Notes; provided, that, if upon issuance of the Original Bonds and the deposit of such proceeds in the Notes Debt Service Fund, there are no longer any Notes Outstanding, the remaining Original Bond proceeds may be used to pay additional Costs of the Project.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding twelve percent (12%) per annum, or such other rate as shall then be the 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 Commission, through a paying agent or paying agents selected by the original purchaser or purchasers thereof, 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 mailed to the registered owner thereof at the address as it appears on the books of the State Treasurer, as registrar.

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 payment record attached,

in a denomination which is an integral multiple of \$5,000 representing the aggregate principal amount of the Bond issue, and shall mature in principal installments, all as provided in the Supplemental Resolution. Said Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds in the denomination of \$5,000 each or any integral multiple thereof in aggregate principal amount equal to the amount of said Bonds then Outstanding, 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 may be issued in fully registered form, with a payment record attached, in the denomination of \$5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. The registered 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. 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 Bonds shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said Bonds.

So long as any of the Bonds remain outstanding, the Treasurer of the State of West Virginia shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Issuer, which shall be kept for the purpose at the office of the aforesaid Treasurer, 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 Treasurer of the State 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 Treasurer. For every such exchange or transfer of Bonds, the Treasurer 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 said Treasurer incurred in connection therewith, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer; provided, however, that in the event the Authority is the Bondholder requesting such exchange or transfer, the Issuer shall pay all such taxes, fees, governmental charges or other expenses incurred in making such exchange or transfer. The Treasurer shall not be obliged to make any such exchange or transfer of Bonds during the ten (10) days 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.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost.
In any case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond 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 Registrar may incur. All Bonds so surrendered shall be cancelled by the 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.

Any such duplicate Bond issued pursuant to this Section shall constitute an original, additional contractual obligation on the part of the Issuer, whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits with all other Bonds hereunder.

Section 3.06. 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. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, except that any Notes Outstanding at the time of issuance of the Bonds will rank prior to the Bonds to the extent such Notes are secured by and payable from the Net Revenues of 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 and the Reserve Account therein hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due. Notwithstanding any other provision hereof to the contrary, the lien on the Net Revenues on behalf of the Original Bonds may be subordinate to that created by the Indenture on behalf of the Notes originally issued thereunder.

Section 3.08. 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 Original Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND SERIES _____

No. R-

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Raleigh 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 West Virginia Water Development Authority (the "Payee"), or registered assigns (the "Alternate Payee"), the sum of \$ _____, in installments on _____ 1 of each year as set forth below, with interest on each installment at the rate per annum set forth below opposite the year in which the installment becomes due:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
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The interest rate on each installment shall run from the original date of delivery of this Bond to the Payee and payment therefor and until payment of such installment, and such interest shall be payable on the 1st day of _____, and the 1st day of _____ in each year beginning _____ 1, 19____. The principal of this Bond is payable in any coin or currency which, on the respective dates of payment of principal, 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, through _____.

The interest on this Bond is payable by check or draft mailed to the registered owner hereof at the address as it appears _____.

This Bond is subject to redemption prior to its stated date of maturity in whole or in part in inverse order of principal installments only on or after the date on which all outstanding bonds issued by the West Virginia Water Development Authority (the "Authority") to provide funds for the purchase of this Bond are redeemable and at a price equal to the aggregate of (i) the corresponding principal amount of the bonds of the Authority to be redeemed by the Authority as a consequence of the redemption by the Issuer of all or a part of its Bond outstanding, (ii) the interest to accrue on the bonds of the Authority so to be redeemed to the next redemption date thereof and not previously paid, (iii) the applicable premium, if any, payable on the bonds of the Authority so to be redeemed, (iv) the applicable premium, if any, payable on additional bonds of the Authority which also become redeemable by virtue of such redemption, (v) the costs and expenses of the Authority in effecting redemption of the bonds of the Authority so to be redeemed, and (vi) at the direction of the Authority, an amount equal to the proportionate amount of the additional bonds of the Authority so to be redeemed, if any, less other moneys or the Authority available therefor; provided, however, that in the event the bonds of the Authority have been refunded and the refunding bonds were issued by the Authority in a principal amount in excess of or less than such bonds remaining unpaid at the date of issuance of such refunding bonds, the Issuer shall be obligated to pay under item (i) above the principal amount of such refunding bonds outstanding, and, in the event the interest the Authority is required to pay on said refunding bonds is less than the Authority was required to pay on the bonds of the Authority, the Issuer shall be obligated to pay under item (ii) above the amount of interest to accrue on such outstanding bonds of the Authority.

This Bond is issued (i) to refund a portion of the Sewerage System Refunding and Construction Notes, Series 1983, of the Issuer (the "Notes") issued to finance part of the cost of acquisition and construction of a sewerage collection and treatment project (the "Project") pending issuance of this Bond and receipt of certain grant proceeds, (ii) to pay additional costs of acquisition and construction of the Project, and (iii) to pay certain costs of issuance hereof and related costs. 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"), a Resolution duly adopted by the Public Service Board of the Issuer on the _____ day of _____, 19____, and a Supplemental Resolution adopted by said Board on the _____ day of _____, 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 security provided for 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, which 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. Notwithstanding any other provision of the Bond Legislation or hereof to the contrary, the lien on said Net Revenues, on behalf of this Bond may be subordinate of that created on behalf of the Notes. 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 thereon except from said special fund provided, and 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 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 ___% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on all obligations payable from such revenues, excluding the Notes. The Issuer has entered into certain further covenants with the holders of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the holders of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of the Issuer kept for that purpose at the office of the Treasurer of the State of West Virginia, by the Payee, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Treasurer of the State of West Virginia, duly executed by the Payee or its attorney duly authorized in writing.

This Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

This Bond shall be exempt from all taxation by the State of West Virginia and the other taxing bodies of the State.

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, including payment of a portion of the Notes authorized and issued pursuant to the Bond Legislation and any other indebtedness incurred by the Issuer for such purposes which is required to be paid from the moneys received from the sale of this Bond, or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the holder 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, CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereunto affixed or imprinted hereon and attested by the Secretary of its Public Service Board, all as of the _____ day of _____, 19__.

Chairman

[SEAL]

ATTEST:

Secretary

[Form of Payment Record]

PAYMENT RECORD

<u>Due Date</u>	<u>Principal Payment</u>	<u>Principal Balance Due After Payment</u>	<u>Interest Payment (%)</u>	<u>Date Paid</u>	<u>Name of Paying Agent Authorized Officer And Title</u>
	\$	\$	\$		

SCHEDULE "A"

Principal installments on which payments
have been made prior to maturity

<u>Principal Due</u> <u>Date</u>	<u>Amount</u>	<u>Principal</u> <u>Payment</u>	<u>Balance</u>	<u>Date</u> <u>Paid</u>	<u>Name of</u> <u>Paying Agent</u> <u>Authorized Officer</u> <u>and Title</u>
	\$	\$	\$		

[Form of Assignment]

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

the within Bond of CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books of the said District with full power of substitution in the premises.

Dated: _____

In the presence of:

Section 3.09. Sale of Original Bonds; 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 to be entered into between the Issuer and the Authority as a part of the Authority's Loan Program. The Chairman is specifically authorized and directed to execute the Loan Agreement in such form as may be approved by Supplemental Resolution, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, provided, however, that the Issuer may sell the Original Bonds to any other purchaser prior to entering into the Loan Agreement with the Authority.

ARTICLE IV

NOTES

Section 4.01. Authorization and General Terms. In order to refund the 1982 Notes and to pay certain Costs of the Project pending the delivery of the Original Bonds to the Authority, and the receipt of the Grant Receipts, the Sewerage System Refunding and Construction Notes, Series 1983 (the "Notes") of the Issuer shall be issued and sold in the aggregate principal amount of not to exceed \$10,000,000. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and Supplemental Resolution.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes shall be issued in registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof, all as provided in the Supplemental Resolution and as set forth in the Indenture hereinafter described.

The Notes shall be issued in such form, with such terms and secured in the manner set forth in the Trust Indenture, hereby authorized to be executed and delivered by the Issuer (the "Indenture") which Indenture shall be by and between the Issuer and the Trustee, and which Indenture in substantially the form to be executed and delivered by the Issuer is attached hereto as "Exhibit B" and made a part hereof.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the sources described in Article III of the Indenture. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except the Grant Receipts, Original Bond proceeds, Net Revenues and other funds pledged therefor by the Indenture.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. System Revenues; Flow of Funds. A. The Gross Revenues from the operation of the System shall be deposited upon receipt in a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of State and municipal funds and insured by FDIC, which may, but need not, be the Trustee, in a special fund, to be designated the "Crab Orchard-MacArthur Public Service District Sewerage System Revenue Fund" (the "Revenue Fund"). The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of said bank or national banking association or of the Issuer and used only for the purposes and in the manner herein provided. All revenues on deposit in the Revenue Fund shall first each month be used to pay all reasonable Operating Expenses of the System. Thereafter, except as specifically provided below with respect to the Notes, disbursements shall be made from the Revenue Fund in the order and priority set forth in Subsections B, C, D and E of this Section 5.01 and shall be used only for the purposes and in the manner herein provided.

B. (1) From the moneys in the Revenue Fund, the Issuer shall first, on the first day of each month, as set forth in the Supplemental Resolution, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in a fund to be designated the "Crab Orchard-MacArthur Public Service District Sewerage System Revenue Bonds Sinking Fund" (the "Sinking Fund"), which is hereby created and established, a sum equal to one-sixth (1/6) of the amount of interest which will become due on said Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the 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.

The Issuer shall also apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in said Sinking Fund, on the first day of each month, beginning on the first day of that month which is 13 months prior to the first principal payment date of said Bonds, a sum equal to one-twelfth (1/12) of the amount of principal which will mature and become due on said Bonds on the next ensuing principal payment date.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due.

(2) The Issuer shall next, from the Revenue Fund, remit to the Commission for deposit in an account to be designated the "Crab Orchard-MacArthur Public Service District Sewerage System Revenue Bonds Reserve Account" (the "Reserve Account") which is hereby created and established in said Sinking Fund, on the first day of each month of each year, beginning with and including the month in which payments from the Revenue Fund for semiannual interest on the Bonds are commenced, an amount equal to twenty percent (20%), or such lesser percentage as may be required by the Authority at the time of issuance of the Original Bonds, of all amounts required to be deposited for maturing principal and interest into said Sinking Fund, as provided above, on said dates; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the maximum amount of principal and interest that will mature and become due on said Bonds in any succeeding calendar year.

Moneys in the Reserve Account shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose.

Any withdrawals from the Reserve Account shall be subsequently restored from the first revenues available after all required payments to the Sinking Fund and Reserve Account, including any deficiencies for prior payments, have been made in full.

(3) The Issuer shall not be required to make any further payments into said Sinking Fund or into the Reserve Account in said Sinking Fund when the aggregate amount of funds in both said Sinking Fund and said Reserve Account are at least equal to the aggregate principal amount of Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on said Bonds then Outstanding.

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

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 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 Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Fund, including the Reserve Account therein, shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, remit to a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of State and municipal funds and insured by FDIC, which may, but need not, be the Trustee, for deposit in a special fund to be designated the "Crab Orchard-MacArthur Public Service District Sewerage System Renewal and Replacement Fund" (the "Renewal and Replacement Fund"), which fund is hereby established and created, a sum equal to two and one-half percent (2 1/2%) of the Gross Revenues each month, exclusive of any payments for account of the Reserve Account in the Sinking Fund. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of such bank or national banking association 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 deficiency in the 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 by Subsection 5.01(B)(2)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

D. 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 next succeeding three (3) months, such excess shall be considered as excess revenues (the "Excess Revenues"). The Excess Revenues shall be first used for the construction and acquisition of improvements and extensions to the System, and, thereafter, to the extent not needed for such purposes, the Excess Revenues and any surplus moneys in the Sinking Fund, exclusive of the Reserve Account, in excess of the amount of interest to become due on the next interest payment date and the amount of principal to become due within the next succeeding thirteen (13) months, may be used to purchase Bonds upon the open market at a price not exceeding the par value thereof plus three percent (3%) of such par value, or to redeem Bonds at a price not in excess of the redemption price thereof, or for debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such improvements or extensions.

E. Notwithstanding the foregoing, prior to issuance of the Bonds, the entire Net Revenues shall, on the first day of each month, be deposited in the "Other Grant Receipts Account" established in the "Grant Receipts Fund" pursuant to the Indenture.

F. The Issuer shall remit from the Revenue Fund to the Commission or the fiscal agent bank, on such dates as the Commission or the fiscal agent bank, as the case may be, shall require, such additional sums as shall be necessary to pay the fiscal agency charges and the Paying Agent fees then due.

G. 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.

H. 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.

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

[Faint, illegible text, possibly a stamp or signature]

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

- A. Any accrued interest received from the sale shall be deposited in the Sinking Fund and applied to the first interest payment due on the Bonds.
- B. The amount of the proceeds which together with the proceeds deposited pursuant to Subsection (A) of this section and together with the earnings thereon, shall be at least sufficient to pay interest on the Bonds for the period specified in the Supplemental Resolution shall be deposited in the Sinking Fund; provided, that such period may not extend beyond the date which is six (6) months after the estimated date of completion of construction of the Project.
- C. The amount necessary to pay the costs of issuance of the Bonds shall be deposited in a special account, hereby designated the "Crab Orchard-MacArthur Public Service District Sewer Revenue Bonds Cost of Issuance Account," (the "Costs of Issuance Account"), created such bank as may be designated in the Supplemental Resolution and used for such purposes.
- D. Except as provided by Subsection (E) of this section, the remaining moneys derived from the sale of the Bonds shall be deposited with the Trustee in the Notes Debt Service Fund and applied solely to the payment of the Notes.
- E. If the amount deposited pursuant to Subsection (D) above, together with other moneys on deposit in the Notes Debt Service Fund is sufficient to pay all the Notes Outstanding, and defease the Indenture pursuant to Section 6.01 thereof and authorized by the Supplemental Resolution the remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer in a separate account, to be designated the "Crab Orchard-MacArthur Public Service District Sewer Revenue Bond Proceeds Account" (the "Bond Proceeds Account"), which account is hereby created and established in the Notes Construction Trust Fund. Any moneys in the Bond Proceeds Account may be drawn out, used and applied by the Issuer for the payment of any additional costs of construction and acquisition of the Project authorized by the Supplemental Resolution, and purposes incidental thereto. If for any reason such

proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds shall be deposited by the Issuer in the Sinking Fund and shall be used only as provided therefor. All such proceeds shall be and constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of such Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. 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. 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 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.

Until the payment in full of the principal of and interest on the Notes when due, the covenants, agreements and provisions contained in this Resolution shall, where applicable, inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.04 and Section 7.09 shall not be applied to the Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds or Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System, to the extent necessary to make the payments required under Section 5.01 of this Resolution, except that any Notes Outstanding at the time of issuance of the Bonds will rank prior to the Bonds to the extent such Notes are secured by and payable from the Net Revenues of the System. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Fund, including the Reserve Account therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided

herain, 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; Rules. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Order of the West Virginia Public Service Commission entered October 14, 1983 (Case No. 83-418-S-CN).

Section 7.05. Sale of the System. 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 or the Notes, as the case may be, Outstanding, or to effectively defease this Ordinance in accordance with Section 10.01 hereof or the Indenture in accordance with Section 8.01 thereof, as the case may be. 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, 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 about to mature. 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. With respect to the Notes, such proceeds in an amount sufficient to pay in full the Notes shall be remitted to the Trustee for deposit in the Notes Debt Service Fund to apply to the payment of the Notes, prior to maturity if allowable under the Supplemental Resolution.

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 ten thousand dollars (\$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 ten thousand dollars (\$10,000) but not in excess of fifty thousand dollars (\$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 ten thousand dollars (\$10,000) and not in excess of fifty thousand dollars (\$50,000), shall be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus three percent (3%) of such par value. 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 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 fifty thousand dollars (\$50,000) and insufficient to pay all the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over fifty percent (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. The Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions hereof; and, so long as any of the 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 Bonds; provided, that the liens of such Notes originally issued under the Indenture on such revenues may rank prior thereto and that additional Bonds on a parity with the Bonds may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and

source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless the Reserve Account in the Sinking Fund is funded to the extent that no further payments are required thereto as provided in Section 5.01(B)(2).

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the system or any part thereof.

Section 7.07. Additional Parity Bonds. No additional parity Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

No such additional 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; provided, that so long as any of the Notes is Outstanding no such additional parity Bonds shall be issued except for the purpose of refunding all or a portion of the Notes and purposes incidental thereto.

No such additional parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any twelve (12) consecutive months, within the eighteen (18) months immediately preceding the date of the actual issuance of such additional parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional parity Bonds, shall not be less than one hundred thirty percent (130%), or such lesser percentage as may be required by the Authority at the time of issuance of the Original Bonds, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (A) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such additional parity Bonds and (b) any increase in rates enacted by the Issuer, and approved by the Public Service Commission of West Virginia the period for appeal of which has expired prior to the date of delivery of such additional 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 additional parity Bonds.

The Net Revenues actually derived from the System during the twelve-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 enacted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to issuance of such additional parity Bonds.

Not later than simultaneously with the delivery of such additional 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 additional parity Bonds.

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 revenues of the System on a parity with the 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 Bonds and the Holders of any Additional Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds, 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 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.

All Additional 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.

Additional 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 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bonds.

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

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 or of a Note or Notes issued pursuant to this Resolution or the Trustee 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 Board. The Board 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 Board shall be reported to such agent of the Issuer as the Board shall direct.

The Issuer shall file with the Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

C. The amount of any bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and 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 or Notes, as the case may be, and shall file said report with the Trustee and the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and

revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least 130%, or such lesser percentage as may be required by the Authority at the time of issuance of the Original Bonds, of the maximum amount required in any ensuing year to pay the interest on and the principal of the Bonds as the same become due and accomplish retirement of all obligations, except the Notes, for the payment of which such revenues have or shall have been pledged, charged or otherwise encumbered.

Section 7.10. Operating Budget. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

Section 7.11. No Competing Franchise. 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 of the Issuer, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. 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 the water system, if then 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 billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

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. The Issuer hereby covenants and agrees that so long as any of the Bonds or the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers 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 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 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 \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$100,000 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.

C. 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 Raleigh County prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the

health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

ARTICLE VIII

INVESTMENT OF FUNDS

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

Except as provided in the Indenture, 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. The Commission, the Trustee, 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 Trustee 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.

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 or Notes as the case may be:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bond or Note, as the case may be;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds or Notes, as the case may be, in this Resolution, any Supplemental Resolution, the Indenture or in the Bonds or Notes, as the case may be, contained, and such default shall have continued for a period of thirty (30) days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Bond or Note, as the case may be; 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 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Holder 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 the Holders of the Bonds including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, (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 the Holders of the 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 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 Resolution 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 Resolution 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 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 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 Holders of such Bonds and the curing and making good of any Event of Default with respect thereto under 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, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Bonds or Notes, as the case may be, the principal of and interest due or to become due thereon, at the times and in the manners respectively stipulated therein and in this Resolution and the Indenture, then the respective pledges of Net Revenues, Bond proceeds and Grant Receipts, and other moneys and securities pledged under this Resolution and the Indenture, and all covenants, agreements and other obligations of the Issuer to Holders of the Bonds or Notes, as the case may be, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or Notes, as the case may be, for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds or Notes, as the case may be, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds or Notes, as the case may be, 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 the Trustee, as the case may be, 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 Commission or the Trustee, as the case may be, at the same time, shall be sufficient, to pay when due the respective principal of and interest due and to become due on said Bonds or Notes, as the case may be, on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Commission or the Trustee, as the case may be, 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 respective principal of and interest on said Bonds or Notes, as the case may be; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or the Trustee, as the case may be, 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 respective principal of and interest to become due on said Bonds or Notes, as the case may be,

on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or the Trustee, as the case may be, 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 Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Bondholders or Noteholders shall be made without the consent in writing of the Holders of sixty-six and two-thirds percent (66-2/3%) or more in principal amount of the Bonds or Notes respectively, then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Holder thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, required for consent to the above-permitted amendments or modifications.

Section 11.02. Resolution Constitutes Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the Holders of the Bonds and 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 11.03. Separability 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 Indenture, the Bonds or the Notes.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Amendments. The Issuer hereby covenants to make any amendment or supplements to this Resolution and to the Indenture authorized hereby to enable the Notes or Bonds to be issued in such form as to render the interest thereon exempt from federal income taxation.

Section 11.06. Conflicting Provisions Repealed. All resolutions and all orders or parts thereof in conflict with the

provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption 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 Chairman, Secretary and members of the Board 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 11.08. Public Notice of Proposed Financing. Prior to adoption of this Resolution, the Secretary of the Board shall have caused to be published in a newspaper of general circulation within the boundaries of Crab Orchard-MacArthur Public Service District, a Class II legal advertisement stating:

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

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

(c) the Project to be acquired or constructed and the cost of the same;

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

(e) the fact that a form is available in the office of the Clerk of The County Commission of Raleigh County and in the office of the Issuer for residents of that portion of the Issuer which will be served by the Project to sign indicating their opposition to the Issuer's borrowing money or issuing the Bonds or the Notes originally authorized hereby, as the case may be. The Secretary of the Board shall cause such form to be provided to said county clerk.

The Secretary of the Board shall have also caused to be posted in conspicuous places throughout that portion of Crab Orchard-MacArthur Public Service District which will be served by the Project signs measuring not less than eight and one-half (8 1/2)

inches in width and eleven (11) inches in length which include the same information as required in the Class II legal advertisement set forth above.

Section 11.09. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 9th day of November, 1983.

James L. Pittman
Chairman, Public Service Board

Masan B. Lilly
Member, Public Service Board

O. Lilly
Member, Public Service Board

Certified a true copy of an Resolution duly adopted by the Public Service Board of Crab Orchard-MacArthur Public Service District on this 9th day of November, 1983.

[SEAL]

O. Lilly
Secretary, Public Service Board

11/08/83
ORCH2-B

CRAB ORCHARD - MacARTHUR PUBLIC SERVICE DISTRICT

Sewerage System Refunding and Construction
Refunding Notes, Series 1986

SUPPLEMENTAL REFUNDING NOTES RESOLUTION

SUPPLEMENTAL RESOLUTION AUTHORIZING ISSUANCE OF SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION REFUNDING NOTES, SERIES 1986, OF CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT; PROVIDING AS TO DATE, MATURITY, INTEREST RATE, AND OTHER TERMS THEREOF; AUTHORIZING AND APPROVING A SUPPLEMENTAL INDENTURE RELATING TO SUCH NOTES; DESIGNATING A REGISTRAR AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO SUCH NOTES

WHEREAS, the public service board (the "Governing Body") of CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT (the "Issuer") has duly and officially adopted a bond and notes resolution, effective November 9, 1983 (the "Bond and Notes Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWAGE FACILITIES OF CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, THE REFUNDING OF THE OUTSTANDING SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1982, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$4,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS AND NOT MORE THAN \$10,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION NOTES, SERIES 1983; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES, AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond and Notes Resolution provided for the issuance of Sewerage System Refunding and Construction Notes, Series 1983 of the Issuer (the "Construction Notes"), in an aggregate principal amount of not to exceed \$10,000,00, which were issued in the actual aggregate principal amount of \$7,620,000, pursuant to resolutions supplemental to the Bond and Notes Resolution, adopted November 9, 1983, and December 2, 1983, and the Bond and Notes Resolution also authorized the execution and delivery of a Trust Indenture, dated December 1, 1983 (the "Indenture"), securing the Construction Notes;

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the same meaning as in the Bond and Notes Resolution;

WHEREAS, pursuant to the Indenture and the Construction Notes, payment of the Construction Notes was to be made from certain grant receipts and proceeds of certain sewer revenue hands to be issued by the Issuer prior to maturity of the Construction Notes and from certain other sources;

WHEREAS, pursuant to the Indenture, the Issuer obtained a letter of credit, dated December 7, 1983 (the "Letter of Credit") from Raleigh County National Bank, Beckley, West Virginia, (the "Bank") for the purpose of providing additional security for the Construction Notes;

WHEREAS, the Letter of Credit provided that in the event that there were not funds in the Notes Debt Service fund (as defined in the Indenture) sufficient to pay, at maturity, the entire principal of and interest on the Construction Notes and such deficiency was due in whole or in part to (i) the EPA Retainage (as defined in the Indenture), (ii) the Issuer's failure to issue and sell the Original Bonds (as defined in the Indenture) as prescribed in the Indenture or (iii) both, that the Trustee under the Indenture would demand payment under the Letter of Credit in an amount equal to such deficiency, not to exceed the sum of \$4,070,000 less costs of issuing certain refunding notes to evidence the Issuer's obligation to repay such draw;

WHEREAS, the Issuer has heretofore executed and delivered to the Bank a reimbursement agreement dated as of December 1, 1983 by and between the Issuer and the Bank (the "Reimbursement Agreement") whereby the Issuer has agreed to reimburse the Bank for

any draw under the Letter of Credit, and to deliver to the Bank, upon written notice from the Bank of such draw, and has agreed to issue and deliver to the Bank its refunding notes in an aggregate principal amount equal to the amount of such draw;

WHEREAS, the Issuer hereby determines, based upon consultation with its Consulting Engineers and the Original Notes Purchaser as follows:

- (a) The amount necessary to pay the principal of and interest on the Construction Notes at their maturity (June 1, 1986) is \$7,886,700.
- (b) There will be, on June 1, 1986 a deficiency in the funds on deposit in the Notes Debt Service Fund in the amount of \$230,893.
- (c) Consequently, there will not be sufficient moneys in said Notes Debt Service Fund to pay, at maturity the principal of and interest accrued on the Construction Notes.
- (d) The amount of such deficiency attributable to the Issuer's failure to issue the Original Bonds is \$-0-.
- (e) The amount of such deficiency attributable an EPA Retainage Deficiency (as defined in the Letter of Credit) is \$230,893.
- (f) The estimated costs of issuing refunding notes is \$-0-.

WHEREAS, the Issuer has received written notice from the Bank that the sum of \$230,893 has been drawn under the Letter of Credit;

WHEREAS, the Issuer, pursuant to the Reimbursement Agreement desires to issue and deliver to the Bank its Sewerage System Refunding and Construction Notes, Series 1986, (the "Refunding Notes") evidencing the Issuer's obligation to reimburse the Bank for the amount drawn under the Letter of Credit, and to secure the Refunding Notes pursuant to a supplemental indenture dated as of May 29, 1986, by and between the Issuer and Raleigh County National Bank, as trustee (the "Supplemental Indenture"), supplementing the Indenture;

WHEREAS, the Governing Body deems it essential and desirable that this supplemental refunding notes resolution (the "Supplemental Refunding Notes Resolution") be adopted and that the Supplemental Indenture be entered into by the Issuer, that the issuance of the Refunding Notes be authorized and that the maturity date, prepayment provisions, interest rate and other terms of the Refunding Notes be fixed hereby in the manner stated herein, and that other matters relating to the Refunding Notes be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT:

Section 1. This Supplemental Refunding Notes Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage System Refunding and Construction Refunding Notes, Series 1986, of the Issuer, originally represented by a single Refunding Note, numbered R-1, in the principal amount of \$230,893. The Refunding Notes shall be dated the date of delivery thereof, shall mature May 29, 1987, shall bear interest at a rate per annum equal to 75% of the prime rate being charged by Chemical Bank, New York, New York, on the date of delivery of the Refunding Notes, but not more than 12% per annum, payable monthly on the first day of each month, commencing July 1, 1986, and shall be subject to prepayment in whole or in part upon five days written notice to the registered owner thereof at a prepayment price of par, plus accrued interest to the date of prepayment.

Section 2. All other provisions relating to the Refunding Notes and the text of the Refunding Notes shall be in substantially the form provided in the Supplemental Indenture.

Section 3. The Issuer does hereby approve the Supplemental Indenture in substantially the form attached hereto, and the execution and delivery by the Chairman, the affixing of the Issuer's seal and attestation thereof by the Secretary and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 4. The Issuer does hereby appoint and designate Raleigh County National Bank, Beckley, West Virginia, as Registrar and Paying Agent for the Refunding Notes.

Section 5. 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 Refunding Notes hereby and by the Supplemental Indenture approved and provided for, to the end that the Refunding Notes may be

delivered on or about May 29, 1986, to the Bank pursuant to the Reimbursement Agreement.

Section 6. This Supplemental Refunding Notes Resolution is supplemental to the Bond and Notes Resolution, which shall remain in full force and effect until the Refunding Notes are fully paid or provision for such payment is made in accordance with the Supplemental Indenture, and the Supplemental Indenture discharged, except that to the extent that the Bond and Notes Resolution may be in conflict with the Bond Resolution of the Issuer adopted May 27, 1986 (the "Bond Resolution"), the Bond Resolution shall control.

Section 7. This Supplemental Refunding Notes Resolution shall be effective immediately following adoption hereof.

Adopted this 27th day of May, 1986.

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

Joseph L. Whitrow
Chairman

David A. Fink
Secretary

05/28/86
CROR1-D

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

TO

RALEIGH COUNTY NATIONAL BANK
AS TRUSTEE

TRUST INDENTURE

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11/23/83
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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of December 1, 1983, by and between CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia, herein called the "Issuer," and RALEIGH COUNTY NATIONAL BANK, Beckley, West Virginia, a national banking association authorized to accept and execute trusts and covenants of the character herein set forth, herein called the "Trustee."

WHEREAS, capitalized words and phrases used in these Preambles and the Granting Clauses below and not otherwise defined in these Preambles or said Granting Clauses shall have the respective meanings given them in the Bond Legislation and by Section 1.01 of this Indenture;

WHEREAS, by the 1982 Bond Legislation and the Bond Legislation, the Board of the Issuer duly authorized construction and acquisition of the Project at an estimated cost of \$16,367,207, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Board;

WHEREAS, all necessary licenses, permits and/or approvals of governmental agencies and departments have been obtained for the construction and acquisition of the Project and operation of the System to the extent obtainable, and, to the extent not yet obtainable, no difficulty is expected by the Issuer or the Consulting Engineers in obtaining such licenses, permits and/or approvals;

WHEREAS, the Issuer contemplates the issuance of the Original Bonds to provide permanent financing of a portion of the costs of construction and acquisition of the Project;

WHEREAS, the Issuer has received the proceeds of certain Grants or contemplates receiving certain Grant Receipts for the construction and acquisition of the Project, including the EPA Grant Receipts expected to be received prior to the maturity of the Notes in the approximate amount of \$6,620,295 and Other Grant Receipts expected to be received prior to the maturity of the Notes in the approximate total amount of \$1,070,392, and the Issuer has entered into three separate assistance agreements with the EPA, pursuant to

which the EPA will reimburse the Issuer for approximately seventy-five percent (75%) of the Costs of the Project incurred by the Issuer and eligible for such seventy-five percent (75%) reimbursement;

WHEREAS, it is deemed necessary for the Issuer to issue its Notes, in the aggregate principal amount of \$7,620,000, to refund the 1982 Notes and redeem the same at the earliest redemption date, being April 1, 1984, and to finance certain costs of the construction and acquisition of the Project pending receipt of the Grant Receipts and issuance of the Original Bonds;

WHEREAS, the Issuer has determined, as set forth in the Bond Legislation, that the Issuer shall issue the Notes and shall enter into this Indenture to secure the Notes in the manner set forth herein;

WHEREAS, the Notes originally authorized hereby and the Registrar's certificate of authentication and registration to be endorsed thereon are all to be in substantially the forms set forth in Exhibit A attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture or the Bond Legislation or deemed necessary by the Trustee and the Issuer; and

WHEREAS, all things necessary to make the Notes, when authenticated and registered by the Registrar and issued as in this Indenture provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge and assignment of those funds pledged to the payment of the principal of and interest on the Notes and a valid pledge and assignment of the rights of the Issuer in the Grant Receipts, the net proceeds of the Original Bonds and other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established by this Indenture, the net proceeds of a draw under the Letter of Credit or any refunding notes or other obligations issued to pay all or a portion of the principal of or interest on the Notes and the Net Revenues have been done and performed; and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Notes, subject to the terms thereof, have in all respects been duly authorized and 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;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the Trust Estate hereby created, of the purchase and acceptance of the Notes by the Original Notes Purchaser and the Holders thereof and of other good and lawful consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Notes according to their tenure and effect and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Notes, has executed this Indenture and does hereby grant, bargain, sell, convey, pledge and assign the following to, and does hereby confirm and grant a security interest in the following in, Raleigh County National Bank, Beckley, West Virginia, as Trustee, and its successors in trust and assigns forever, all and singular the property hereinafter described, to wit:

FIRST GRANTING CLAUSE

All right, title and interest of the Issuer in and to the Grant Receipts.

SECOND GRANTING CLAUSE

All right, title and interest of the Issuer in and to the net proceeds of the Original Bonds and other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established by this Indenture.

THIRD GRANTING CLAUSE

All right, title and interest of the Issuer in and to the net proceeds of a draw under the Letter of Credit or any refunding notes or other obligations issued for the purpose of paying all or a portion of the principal of or interest on the Notes, and the Net Revenues derived from the operation of the System.

FOURTH GRANTING CLAUSE

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for

additional security hereunder to the Trustee by the Issuer or by anyone in its behalf, or with its written consent.

SUBJECT TO THE TERMS HEREOF, TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, and the rights and privileges hereby conveyed, pledged and assigned by the Issuer, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and proportionate benefit, security and protection of each and every Holder of the Notes issued under and secured by this Indenture, without preference, priority or distinction as to the lien, benefit and protection hereof of one of such Notes over or from the others, for any reason whatsoever except as herein otherwise expressly provided, so that each and all of such Notes (except as so expressly provided) shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby;

PROVIDED, HOWEVER, and these presents are upon the express condition, that, if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and interest on the Notes, according to the provisions set forth in the Notes and each of them or shall provide for the payment or redemption of such Notes by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment thereof when and as authorized by the provisions hereof, including Section 8.01, and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the Trust Estate and rights hereby granted shall cease, determine and become void; otherwise, this Indenture shall be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that the Notes issued hereunder are to be issued, authenticated, registered and delivered, and that the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its respective successors and assigns in said trust, for the benefit of the Noteholders or any of them, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used herein and not defined below shall have the meanings set forth in Section 1.04 of the Bond Legislation. In addition, the following terms shall have the following meanings in this Indenture, unless the context expressly requires otherwise:

"Anticipated Grant Receipts" means, at any time, the amount of Grant Receipts, as hereinafter defined, as stated in a certificate of an Authorized Officer and the Consulting Engineers, both as hereinafter defined, expected to be received after the date of such certificate and prior to the 60th day next preceding the scheduled date of maturity of the Notes originally issued hereunder.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, as hereinafter defined, or any other agency of the State of West Virginia that succeeds to the functions of the Authority; provided, that as of the date hereof the Authority has committed to purchase such Original Bonds only in an aggregate principal amount not to exceed \$3,470,000.

"Authorized Officer" means the Chairman of the Board of the Issuer or any acting Chairman duly appointed by the Governing Body, as hereinafter defined.

"Board" or "Governing Body" means the Public Service Board of Crab Orchard-MacArthur Public Service District and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Crab Orchard-MacArthur Public Service District.

"Bond Legislation" or "Resolution" means the Resolution adopted by the Board on November 9, 1983, and all resolutions supplemental thereto or amendatory thereof.

"Consulting Engineers" means Gates Engineering Company, Beckley, West Virginia 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 the Bond Legislation to be a part of the cost of construction and acquisition of the Project.

"Credit Bank" means Raleigh County National Bank, Beckley, West Virginia, which will issue the Letter of Credit.

"Eligible Costs" or similar phrases means only the Costs eligible for reimbursement by the EPA, as hereinafter defined.

"Eligible Costs Account-Northern Phase" means the Eligible Costs Account-Northern Phase established in the Notes Construction Trust Fund (as hereinafter defined) pursuant to Section 4.01 hereof.

"Eligible Costs Account-Southern Phase Collection Lines" means the Eligible Costs Account-Southern Phase Collection Lines established in the Notes Construction Trust Fund.

"Eligible Costs Account-Southern Phase Treatment Plant" means the Eligible Costs Account-Southern Phase Treatment Plant established in the Notes Construction Trust Fund.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means collectively the three separate grants from EPA for the Southern Phase and the Northern Phase, pursuant to the commitments therefor.

"EPA Grant Receipts Account" means the EPA Grant Receipts Account established in the Grant Receipts Fund (as hereinafter defined) by Section 4.01 hereof.

"EPA Retainage" means ten percent (10%) of the Eligible Costs, or such lesser amount of the Eligible Costs, as may be withheld from time to time by the EPA pending satisfactory completion of the EPA audit, which amount shall be certified by the Consulting Engineers to the Trustee and the Issuer 60 days prior to the scheduled maturity of the Notes originally issued hereunder.

"EPA Retainage Deficiency" means the amount of any deficiency in the Notes Debt Service Fund, as hereinafter defined, attributable to the EPA's withholding the EPA Retainage, which amount may be less than or equal to the EPA Retainage.

"Escrow Fund" means the irrevocable trust fund established by the Escrow Agreement, to be applied to redemption of the 1982 Notes in the manner set forth in the Escrow Agreement.

"Escrow Trustee" means Raleigh County National Bank, a national banking association with principal office in the City of Beckley, West Virginia, and its successors and assigns.

"Event of Default" means any occurrence or event specified in Section 6.01.

"Fiduciaries" means the Trustee, the Registrar or the Paying Agent, all as hereinafter defined, as required by the context.

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

"Grant Agreement" means a written commitment for the payment of a Grant, as hereinafter defined, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which Grant is to be paid to the Issuer; provided that, "EPA Grant Agreement" means only the Grant Agreements relating to the three EPA Grants and "Other Grant Agreement" means only the Grant Agreement relating to the respective Other Grant, as hereinafter defined.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants, as hereinafter defined.

"Grant Receipts Fund" means the Grant Receipts Fund established by Section 4.01 hereof.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

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

"Ineligible Costs Account" means the Ineligible Costs Account established in the Notes Construction Trust Fund, as hereinafter defined, by Section 4.01 hereof.

"Issuer" or "District" means Crab Orchard-MacArthur Public Service District in Raleigh County, West Virginia, and, unless the context clearly indicates otherwise, includes the Board of the Issuer.

"Letter of Credit" means the Letter of Credit issued by the Credit Bank, pursuant to which the said bank has agreed to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum of not to exceed \$4,070,000.

"Local Share" means the amount of \$3,320,000.

"Local Share Deficiency" means the amount of any deficiency in the Notes Debt Service Fund, as hereinafter defined, attributable to the Issuer's failure to issue the Original Bonds in an amount, the net proceeds of which shall at least equal the Local Share, which amount may be less than or equal to the Local Share.

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

"Northern Phase" means the acquisition and construction of new sewage collection facilities in the northern area of the District, which acquisition and construction will commence after issuance of the 1983 Notes.

"Notes" or "1983 Notes" means the \$7,620,000 in aggregate principal amount of Sewerage System Refunding and Construction Notes, Series 1983, originally authorized hereby, and, unless the context clearly indicates otherwise, the term "Notes" includes any refunding notes of the Issuer.

"1982 Notes" means the \$5,150,000 aggregate principal amount of Sewerage System Construction Notes, Series 1982, dated October 1, 1982, issued to provide temporary financing for the Southern Phase.

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

"Notes Capitalized Interest Account" means the Notes Capitalized Interest Account established in the Notes Debt Service Fund, as hereinafter defined, by Section 4.01 hereof.

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

"Notes Cost of Issuance Account" means the Notes Cost of Issuance Account established in the Notes Construction Trust Fund by Section 4.01 hereof.

"Notes Debt Service Fund" means the Notes Debt Service 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 fiscal agents, the Registrar, the Paying Agent and the Trustee, 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 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 Bonds" means the not more than \$4,000,000 in aggregate principal amount of Sewer Revenue Bonds authorized by the Bond Legislation to refund a portion of the Notes; provided, that, as of the date hereof, the Authority has committed to purchase such Original Bonds only in a principal amount not to exceed \$3,470,000.

"Original Notes Purchaser" means Young Moore & Company, Inc., as the original purchaser of the Notes originally authorized hereby.

"Other Grants" means, collectively (or, if used in the singular, alternately), the grants, pursuant to the respective commitments therefor, in aid of financing certain Costs from the Authority, the Appalachian Regional Commission, the Governor's Office of Economic and Community Development and The County Commission of Raleigh County, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," as of any particular date, describes all Notes theretofore and thereupon being authenticated and delivered except (1) any Note cancelled by the Registrar at or prior to said date; (2) any Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be in trust under this Indenture and set aside for such payment (whether upon or prior to maturity); (3) any Note deemed to have been paid as

provided in Article VIII hereof; and (4) for purposes of consents or other action by a specified percentage of Noteholders, any Notes registered to the Issuer.

"Paying Agent" means the Trustee, which may act through a duly appointed agent pursuant to Section 7.02, as paying agent for the Notes, and any successor thereto or any additional paying agent appointed pursuant to Section 7.12.

"Project" means the acquisition and construction of a new sewerage system of the Issuer, a portion of which has previously been acquired and constructed and the cost of which has heretofore been paid with proceeds of the 1982 Notes. When used herein the term "Project" shall include the entire Southern Phase and Northern Phase, including such portion of the Southern Phase as has heretofore been acquired and constructed.

"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; Federal Farm Credit Bank; 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 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; and

(e) 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.

"Registrar" means the Trustee, which may act through a duly appointed agent pursuant to Section 7.02 hereof, as registrar for the original registration and the transfer of registration of the Notes, or any successor thereto pursuant to Section 7.12 hereof.

"Refunding Notes" means the not more than \$4,070,000 in aggregate principal amount of refunding notes originally provided for by Section 3.05 hereof to be issued by the Issuer and delivered to the Credit Bank to evidence a draw by the Trustee under the Letter of Credit to pay the principal of the Notes that would otherwise have been paid from the proceeds of the Original Bonds or which shall be issued for the purpose of paying the EPA Retainage Deficiency, or both, to the extent of the Letter of Credit.

"Southern Phase" means the acquisition and construction of certain new sewage collection and treatment facilities in the southern area of the District, a portion of which acquisition and construction has been completed and paid for from proceeds of the 1982 Notes, the remainder of which is to be financed in part by proceeds of the 1983 Notes and other moneys available therefor.

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

"Trust Estate" means the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

Additional terms and phrases are defined in this Indenture 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 Indenture; and the term "hereafter" means after the date of this Indenture.

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

ARTICLE II

THE NOTES

Section 2.01. Authorization and Terms of Notes. The Notes originally authorized hereby shall be designated "Sewerage System Refunding and Construction Notes, Series 1983." The Notes shall be in the aggregate principal amount of \$7,620,000; shall be dated December 1, 1983; shall bear interest from the interest payment date next preceding the date of registration (unless registered as of an interest payment date, in which event from the date of registration or unless registered prior to June 1, 1984, in which event from December 1, 1983) at the rate of seven percent (7%) per annum, payable from the funds provided therefor in accordance with Article IV hereof, semiannually on June 1 and December 1 of each year, commencing June 1, 1984, for the Notes upon original issuance; shall mature on June 1, 1986; and shall be subject to redemption prior to maturity in whole but not in part, at any time on or after June 1, 1985, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. Notice of any such redemption shall be given by the Registrar by certified or registered mail to the Holder of the Notes to be redeemed at the address shown on registry books maintained by the Registrar, not less than 30 days prior to the date fixed for redemption, stating the redemption price and the place or places where payment of the redemption price will be made.

Interest on the Notes shall be payable by check or draft mailed to the Holder thereof at the address shown on the registry books maintained by the Registrar as of the 15th day of the month next preceding such interest payment date. Principal of the Notes shall be payable upon surrender of such Notes at the principal office of the Paying Agent in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America.

The Notes shall be issued in registered form, without coupons, numbered from R-1 upward in the denomination of \$5,000 or any integral multiple thereof.

Section 2.02. Execution of Notes. The Notes shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairman, and the seal of the Issuer shall be affixed thereto, or a facsimile of such seal imprinted thereon, and attested by the manual or facsimile signature of the Secretary; provided, that one of such signatures must be manual. 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 before the Notes so signed and sealed shall have been actually sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any 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 although at the date of such Notes, or at the date of registration thereof, such person may not have held such office or may not have been so authorized.

Section 2.03. Authentication. No Note shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication and registration on such Note, substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference as a part hereof, shall have been duly executed by the Registrar. Any such executed certificate of the Registrar upon any such Note shall be conclusive evidence that such Note has been authenticated and delivered under this Indenture and that the Holder thereof is entitled to the benefits hereof. The Registrar's certificate of authentication and registration on any Note shall be deemed to have been executed by it 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 2.04. Form of Notes. The Notes originally issued under this Indenture shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference as a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture or the Bond Legislation or deemed necessary by the Trustee and the Issuer.

Section 2.05. Delivery of Notes. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the Notes originally authorized hereby to the Trustee, and, upon receipt of the documents set forth below, the Trustee shall deliver them to the Original Notes Purchaser as directed by the Issuer and as hereinafter in this Section 2.05 provided.

Prior to the delivery by the Trustee of any of the Notes, there shall be filed with the Trustee:

(A) A copy, duly certified by the Secretary, of the Bond Legislation authorizing the execution and delivery of this Indenture and the issuance and sale of the Notes;

(B) An original executed counterpart of this Indenture;

(C) An executed counterpart of the Escrow Agreement;

(D) The executed Letter of Credit;

(E) Copies, duly certified by the Secretary, of the Grant Agreements;

(F) A signed opinion of nationally recognized bond counsel regarding the validity of the Notes and this Indenture; and

(G) A request and authorization to the Trustee on behalf of the Issuer, signed by the Authorized Officer, to deliver the Notes to the Original Notes Purchaser upon payment to the Trustee, but for the account of the Issuer, of a sum specified in such request and authorization plus interest accrued thereon to the date of delivery, the proceeds of which payment shall be paid over to the Trustee and deposited to the credit of the funds and accounts specified in Article IV hereof.

In addition to its duties as Registrar and Paying Agent, the Trustee may carry out the provisions of Section 2.05 through a duly appointed agent acceptable to the Issuer and the Original Notes Purchaser.

Section 2.06. Negotiability, Transfer and Registration.
The Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but each of such Notes may only be transferred by transfer of the registration thereof as hereinafter provided. Each Note shall be transferable without service charge, except to the Issuer, only upon the books required to be kept pursuant to Section 2.08 hereof, by the Holder thereof, in person or by his attorney duly authorized in writing, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. The Notes shall be exchangeable for a Note or Notes of authorized denominations also at the principal office of the Registrar.

For every exchange or transfer of Notes, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, but the Issuer shall pay any service charge in connection with transfer. No transfer or exchange may be made of Notes which have been called for redemption or during the period

beginning the last day of the month next preceding an interest payment date and ending on the day next preceding such interest payment date.

Section 2.07. 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 the Registrar shall authenticate and deliver, a new Note in exchange and substitution for such mutilated, destroyed, stolen or lost Note upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost and upon the Holder's furnishing the Issuer satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer or the Registrar may incur. All Notes so surrendered shall be submitted to and cancelled 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 therefor.

Section 2.08. Registrar.

The Issuer will keep or cause to be kept at the principal office of the Registrar, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register all Notes initially issued pursuant hereto and register or cause to be registered, on such books, the transfer or exchange of Notes as hereinbefore provided.

The Registrar shall accept a Note for transfer of registration only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

ARTICLE III

SECURITY FOR AND COVENANTS REGARDING THE NOTES

Section 3.01. Payment of the Notes. Subject to the restrictions and limitations on the sources of payment hereinafter set forth, the Issuer covenants that it will promptly pay, or cause to be paid, the principal of and interest on every Note issued under this Indenture at the place, on the dates and in the manner provided herein and in the Notes according to the true intent and meaning thereof. The principal of and interest on the Notes shall be payable from the Grant Receipts, the net proceeds of the Original Bonds and other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established by Article IV hereof and, to the extent not so paid, shall also be payable from the net proceeds of a draw under the Letter of Credit or any refunding notes or other obligations issued for such purpose and the Net Revenues derived from the operation of the System. The Notes are special obligations of the Issuer, payable solely from said sources described above, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged, for the payment of the Notes. Neither the Trustee nor the Holders of the Notes shall ever 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 the Grant Receipts, the net proceeds of the Original Bonds, Net Revenues and other funds pledged therefor by this Indenture.

Notwithstanding anything in this Indenture to the contrary, the Issuer shall not be required to advance any money derived from any source of income other than the Grant Receipts, the net proceeds of the Original Bonds, Net Revenues and other funds pledged by this Indenture for the payment of the principal of or interest on the Notes or for the performance of any of its duties under this Indenture. The Issuer may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Issuer for such purpose without incurring indebtedness.

Section 3.02. Restrictions on Other Debt. The Issuer hereby covenants that, so long as any of the Notes originally issued hereunder are Outstanding, it will not issue any bonds, notes or other evidences of indebtedness with a lien on or otherwise payable

from any source of payment pledged for such Notes prior to or on a parity with the lien on behalf of such Notes.

Section 3.03. Particular Covenants. In order to secure the payment of the Notes, the Issuer hereby particularly covenants and agrees that the Issuer, if and so long as any of the Notes is Outstanding:

(A) Will promptly deposit proceeds of the Notes originally authorized hereby with the Escrow Trustee in the Escrow Fund in an amount, which together with other moneys available therefor and earnings thereon will be sufficient to pay, on April 1, 1984, the entire principal amount of 1982 Notes outstanding and interest accrued thereon;

(B) Will proceed to complete with all practicable dispatch the construction and acquisition of the Project and will maintain, or require all contractors for the Project to maintain, as appropriate, all indemnity bonds and insurance required by the contract documents and by law;

(C) Will not make or cause or permit to be made any application of the proceeds of the Notes or of any moneys held in the Notes Debt Service Fund, the Notes Construction Trust Fund or the Grant Receipts Fund except in accordance with the provisions of Article IV hereof;

(D) Will prepare and submit to the Trustee, on or prior to the 15th day of each month during construction of the Project, a budget setting forth anticipated expenditures for Costs of the Project by category during the next succeeding month and to the conclusion of construction, and the corresponding anticipated source of reimbursement for such Costs as well as an accounting of all moneys disbursed as of the 10th day of the previous month for Costs of the Project, both cumulatively and during the previous 30-day period, and the corresponding source or anticipated source of reimbursement for such Costs;

(E) Will comply in all respects with the terms, conditions and provisions of all Grant Agreements and with all applicable State and federal laws and regulations governing the implementation of any Grant Agreement;

(F) Will impose and collect rates and charges for the use and services of the System in accordance with the

requirements of any Grant Agreement and the Bond Legislation;

(G) Will take all actions necessary to enforce any Grant Agreement and to preserve its right to receive payments or reimbursements under the Grant Agreements;

(H) Will continue promptly to request any payment or reimbursement to which it has become entitled under the Grant Agreements;

(I) Except as provided in Section 4.02 hereof, will promptly pay over to the Trustee all Grant Receipts for deposit in the appropriate account in the Grant Receipts Fund;

(J) Will not unilaterally terminate, or enter into any agreement to terminate, any Grant Agreement;

(K) Will not create, assume or suffer to be created any judgment, mortgage or deed of trust, pledge or other lien, encumbrance or charge on the Gross Revenues or the Net Revenues, or on any property or assets, real or personal, of the System prior to or on a parity with the lien created on behalf of the Notes originally issued hereunder; and

(L) Will take all actions necessary to maintain the Letter of Credit in full force and effect and, if required by Section 3.05 hereof, will issue the Refunding Notes to evidence a draw thereunder, the net proceeds of which draw shall be applied to the payment of the maturing Notes originally issued hereunder.

Section 3.04. Required Notices to Trustee. The Issuer will give to the Trustee prompt written notice, appropriately documented, of any change in the status of the Grants and of any authorization of additional indebtedness, including the Original Bonds and the Refunding Notes, of the Issuer, and particularly of any of the following events:

(A) Any modification of a Grant;

(B) The suspension of any Grant, or the issuance of any stop-work order;

(C) The lifting or cancellation of the suspension of any Grant or the issuance of any stop-work order;

- (D) . The termination of any Grant;
- (E) The annulment of any Grant; and
- (F) The proposed issuances of the Original Bonds, the Refunding Notes or any other refunding notes.

The Trustee shall promptly forward a copy of any such notice received to every Holder of the Notes.

Section 3.05. Letter of Credit; Refunding Notes. In the event that, on or prior to the 60th day next preceding the maturity date of the Notes, the Authority and the Issuer have not entered into a binding agreement for the purchase of the Original Bonds by the Authority on or prior to the 30th day next preceding the maturity date of the Notes, the Issuer covenants and agrees to issue and sell its Original Bonds to another original purchaser in an amount, the net proceeds of which shall at least equal the Local Share.

In the event there are not funds in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, on the 30th day next preceding the maturity date of the Notes originally issued hereunder, sufficient to pay, at maturity, the entire principal of and interest on said Notes and such deficiency in the Notes Debt Service Fund is due in whole or in part (i) to the EPA Retainage or (ii) to the Issuer's failure to issue and sell the Original Bonds as prescribed above or (iii) both, the Trustee shall draw upon the Letter of Credit. To evidence such draw, the Issuer shall issue its Refunding Notes. Such draw shall be in a principal amount, not to exceed \$4,070,000, the net proceeds of which shall equal the sum of: (i) the EPA Retainage Deficiency and (ii) the Local Share Deficiency, but not more than \$4,070,000 less the costs of issuing the Refunding Notes. The Trustee shall give the certification required by the Letter of Credit, and the Trustee and the Issuer shall take all other actions necessary to receive the proceeds of a draw under the Letter of Credit in the amount described above, so that the proceeds of such draw will be available for application to the principal of and interest on said Notes at the maturity thereof.

In the event any deficiency in the Notes Debt Service Fund (i) is due in whole or in part to any reason other than the EPA Retainage, the failure to issue the Original Bonds or both or (ii) exceeds \$4,070,000 less the costs of issuing the Refunding Notes, or (iii) both, the Issuer covenants and agrees to issue and sell refunding notes or other obligations in an amount sufficient, together with the funds then on deposit in the Notes Debt Service

Fund, to pay the principal of and interest on the Notes at the maturity thereof.

Except for details thereof inconsistent herewith and as otherwise provided by an indenture supplemental hereto, the Refunding Notes and such refunding notes or other obligations shall be subject to the terms and restrictions and secured, on a subordinate basis, by the covenants and in the manner set forth herein for the Notes originally issued hereunder; provided, that the Refunding Notes and such refunding notes or other obligations shall not be secured by or payable from the net proceeds of a draw under the Letter of Credit, that Refunding Notes issued to evidence a draw under the Letter of Credit to fund a deficiency in the Notes Debt Service Fund due solely to the EPA Retainage shall not be secured by or payable from the net proceeds of the Original Bonds, and that Refunding Notes issued to evidence a draw under the Letter of Credit fund such a deficiency due solely to the failure to issue the Original Bonds shall not be secured by or payable from the EPA Grant Receipts. Except as otherwise provided herein, such refunding notes or other obligations shall be offered for sale upon reasonable and customary terms and conditions.

The proceeds of the Original Bonds, regardless of the original purchaser thereof (and except as otherwise provided by the Bond Legislation), of a draw under the Letter of Credit or of any refunding notes or other obligations, after making provision for the payment of the expenses of issuance thereof, or of the Refunding Notes, as the case may be, shall be deposited in the Notes Debt Service Fund and used solely for the payment of the principal of and interest accrued on the Notes.

ARTICLE IV

NOTE PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts.
Pursuant to this Article IV, the following special funds or accounts are created with, and shall be held by, the Trustee:

- (1) Notes Construction Trust Fund;
 - (a) Within the Notes Construction Trust Fund:
 - (i) Notes Cost of Issuance Account,
 - (ii) Eligible Costs Account-Southern Phase Collection Lines,
 - (iii) Eligible Costs Account-Southern Phase Treatment Plant,
 - (iv) Eligible Costs Account-Northern Phase, and
 - (v) Ineligible Costs Account;
- (2) Notes Debt Service Fund;
 - (a) Within the Notes Debt Service Fund:
 - (i) Notes Capitalized Interest Account; and
- (3) Grant Receipts Fund;
 - (a) Within the Grant Receipts Fund:
 - (i) EPA Grant Receipts Account, and
 - (ii) Other Grant Receipts Account.

In addition to the foregoing, the Escrow Fund is hereby created and shall be held by the Escrow Trustee in accordance with the Escrow Agreement.

Section 4.02. Notes Debt Service Fund. The Trustee shall segregate all funds and securities in the Notes Debt Service Fund from other deposits and funds of the Trustee and other deposits and funds of the Issuer, including the Notes Construction Trust Fund. All moneys in the Notes Debt Service Fund, until payment in full of all principal and interest owing on the Notes at their maturity, shall be held in trust for the Holders of the Notes, and the Issuer shall have no rights with respect thereto except with respect to the transfers and deposits specified below and to receive the balance therein after payment of the Notes and the interest thereon and the charges, if any, of the Trustee, the Registrar and the Paying Agent.

The Trustee shall deposit the amount of Note proceeds (including any interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser) required as provided by Section 4.05 hereof for the purpose of paying interest on the Notes until the maturity thereof in the Notes Capitalized Interest Account, segregated from all other deposits and funds of the Trustee or the Issuer, and shall promptly invest the moneys in such account in accordance with Article V hereof. At or prior to any interest payment date, as shall be reasonably requested by the Paying Agent, the Trustee shall transfer from the Notes Capitalized Interest Account to the Paying Agent in immediately available funds the amount of interest on the Notes then owing. In the event the funds on deposit in the Notes Capitalized Interest Account are insufficient to pay any interest on the Notes coming due, the Trustee shall transfer funds, first, from the remainder of the Notes Debt Service Fund, next, from the Grant Receipts Fund, and then from the Notes Construction Trust Fund to make up such deficiency. After payment of all interest owing on the Notes, any excess in the Notes Capitalized Interest Account shall be transferred to the remainder of the Notes Debt Service Fund and used to pay the principal of the Notes.

Forty-five (45) days prior to the maturity of the Notes, the Trustee shall transfer from the Grant Receipts Fund to the Notes Debt Service Fund an amount equal to the principal and interest on the Notes maturing, less (i) the funds already on deposit in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, and (ii) if such amounts already on deposit do not include the net proceeds of the Original Bonds, an amount equal to the Local Share (the "Required Transfer"). If the amount transferred is less than the Required Transfer, any Grant Receipts thereafter received shall be deposited directly into the Notes Debt Service Fund until the Required Transfer is met.

At or prior to the date for payment of the principal of the Notes, as shall be reasonably requested by the Paying Agent, the Trustee shall transfer to the Paying Agent in immediately available funds the total principal of the Notes then maturing.

Amounts held in the Notes Debt Service Fund shall be applied to the payment of principal of and interest on the Notes and used for no other purpose. Pending such application, moneys in the Notes Debt Service Fund shall be invested and reinvested in accordance with Article V hereof.

Section 4.03. Notes Construction Trust Fund. The Notes Construction Trust Fund shall be segregated from all other funds and accounts of the Trustee or the Issuer and used solely for the purposes provided herein. The Notes Cost of Issuance Account, the Eligible Costs Account-Southern Phase Collection Lines, the Eligible Costs Account-Southern Phase Treatment Plant, the Eligible Costs Account-Northern Phase and the Ineligible Costs Account shall each be segregated, one from the other, within the Notes Construction Trust Fund.

The Notes Cost of Issuance Account shall be used only for the payment of the expenses of issuing the Notes. After payment of all such expenses, as certified to the Trustee by an Authorized Officer, the Trustee shall close such account, and any balance remaining therein shall be transferred to the Ineligible Costs Account.

The Trustee shall disburse no moneys from the Notes Construction Trust Fund except to pay Costs of the Project as provided below, or to pay the principal of or interest on the Notes when due. Disbursements from the Notes Construction Trust Fund, except from the Notes Cost of Issuance Account therein, shall be made only after submission to the Trustee of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) The account (either the Eligible Costs Account-Southern Phase Collection Lines, the Eligible Costs Account-Southern Phase Treatment Plant, the Eligible Costs Account-Northern Phase or the Ineligible Costs Account) from which such disbursement is requested;

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

(C) 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;

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

(E) That payment for each of the items proposed is then due and owing; and

(F) With respect to a proposed payment from the Eligible Costs Account-Southern Phase Collection Lines, the Eligible Costs Account-Southern Phase Treatment Plant or the Eligible Costs Account-Northern Phase, that such cost is an Eligible Cost of such Phase of the Project.

No single certificate submitted to the Trustee hereunder shall request disbursement from more than one of the four Costs Accounts. In the event that payment of any Costs requested in any certificate will result in aggregate payments from such Eligible Cost Account to exceed the amount set forth and budgeted in the applicable EPA Grant Agreement, as amended to the date of such certificate, or will result in aggregate payments from the Ineligible Costs Account to exceed the amount set forth and budgeted therefor in the budget submitted pursuant to Section 3.03(D) hereof, the Consulting Engineers shall deliver to the Trustee an additional certificate stating that, after such disbursement there will be sufficient funds to complete the Project in accordance with the plans and specifications therefor. Upon receipt of such additional certification, the Trustee shall disburse moneys for payment of the Costs from the Eligible Costs Account so designated by the Consulting Engineer.

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

Pending such application, moneys in the Notes Construction Trust Fund, including each of the accounts therein, shall be invested and reinvested in accordance with Article V hereof. Earnings on the Qualified Investments in any of the Eligible Costs Accounts shall be transferred periodically by the Trustee from the Eligible Costs Accounts to the Ineligible Costs Account.

Whenever the Trustee shall have received notice pursuant to Section 3.04 hereof that any Grant has been suspended or a stop-work order has been issued, the Trustee shall not make further disbursements from the Notes Construction Trust Fund until it shall have received notice of the lifting of such suspension or stop-work order in accordance with such section. If the Trustee shall have received notice pursuant to said Section 3.04 that any Grant has been terminated or annulled, the Trustee shall not make any further disbursements from the Notes Construction Trust Fund, and it shall immediately transfer all moneys remaining in said fund to the Notes Debt Service Fund. Notwithstanding the foregoing provisions of this paragraph, if the Grant which has been suspended, terminated or withdrawn is a Grant other than the EPA Grant or the Grant from the Authority, and the Issuer files with the Trustee a certificate of the Consulting Engineers reciting the conclusion and demonstrating that the Project can be completed and the Notes paid in full without such other Grant, the Trustee shall continue to make disbursements from the Notes Construction Trust Fund.

Five (5) days prior to the maturity of the Notes or five (5) days prior to any interest payment thereon, to the extent that sufficient moneys are not available in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, to pay the principal of or interest on the Notes, or both, as the same shall become due, the Trustee shall transfer moneys in the Notes Construction Trust Fund to the Notes Debt Service Fund and apply such transferred moneys to such payment. Except with respect to such transfers from the Notes Construction Trust Fund for payment of the principal of or interest on the Notes as the same become due, and as set forth above, moneys in each of the three Eligible Costs Accounts shall be applied solely to the payment of Eligible Costs of each respective Eligible Costs Account and moneys in the Ineligible Costs Account shall be applied solely to the payment of Costs of the Project, which may include Eligible Costs of the Project; and, pending such applications, such accounts shall be held as trust funds under this Indenture in favor of the Holders of the Notes until paid out or transferred as provided in this Section 4.03.

After completion of the Project, as certified by the Consulting Engineers, the Trustee shall transfer any moneys remaining in the Notes Construction Trust Fund to the Notes Debt Service Fund and hold such transferred moneys for the retirement of

the Notes. If no Notes are then Outstanding, moneys remaining in the Notes Construction Trust Fund may be withdrawn by the Issuer to be used for any lawful purpose of the System.

Section 4.04. Grant Receipts Fund. All EPA Grant Receipts received by the Issuer prior to the maturity of the Notes shall be promptly paid to the Trustee for deposit in the EPA Grant Receipts Account in the Grant Receipts Fund and applied to the payment of the principal of and interest on the Notes, as provided in Section 4.02 hereof, or to the payment of Eligible Costs of the Project, as provided in this section. All Other Grant Receipts received by the Issuer prior to the maturity of the Notes and the Net Revenues received prior to issuance of the Bonds shall be promptly paid to the Trustee for deposit in the Other Grant Receipts Account in the Grant Receipts Fund and applied to the payment of the principal of and interest on the Notes, as provided in Section 4.02 hereof, or to the payment of Costs of the Project, as provided in this section. Disbursements from the Grant Receipts Fund to pay the principal of or interest on the Notes, or both, as provided in said Section 4.02, shall be made, first, from the EPA Grant Receipts Account and, then, from the Other Grant Receipts Account. Pending such application, moneys in the Grant Receipts Fund shall be invested and reinvested in accordance with Article V hereof.

Prior to the payment of the Notes in full, the Trustee shall transfer moneys from the EPA Grant Receipts Account to the Eligible Costs Account designated in the certificate described below for application to the appropriate Eligible Costs of the Project or from the Other Grant Receipts Account to the Ineligible Costs Account, for application to the Cost of the Project, or both, upon receipt by the Trustee of a certificate, signed by an Authorized Officer and the Consulting Engineers and dated not more than ten (10) days prior to the requested date of transfer, requesting and designating by account such transfer and setting forth the Anticipated Grant Receipts as of the date of said certificate, but only after a written determination by the Trustee that, after such transfer, there shall remain in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, and in the Grant Receipts Fund, collectively, moneys or Qualified Investments in an amount sufficient, together with the Local Share and together with ninety percent (90%) of the Anticipated Grant Receipts, as stated in said certificate of an Authorized Officer and the Consulting Engineers, to pay the interest on all Outstanding Notes as the same comes due and the principal of all Outstanding Notes at their maturity.

Any moneys remaining in the Grant Receipts Fund after the payment of the Notes in full shall be applied to costs of completion of the Project, or, if the Project is then complete, as certified by

the Consulting Engineers, may be withdrawn by the Issuer and used for any lawful purpose of the System.

Section 4.05. Application of Note Proceeds. From the moneys received from the sale of the Notes originally issued hereunder, the Trustee shall make the following deposits:

A. The sum of \$880,110, which, together with accrued interest in the amount of \$8,890 also deposited (total of \$889,000), the earnings thereon and moneys transferred from the Grant Receipts Fund and the Notes Construction Trust Fund as hereinabove provided, is estimated to be at least sufficient to pay interest on the Notes until the scheduled maturity thereof, shall be deposited in the Notes Capitalized Interest Account; provided, that interest shall not be paid from the proceeds of the Notes after six (6) months after completion of construction of the Project. Any amount received on account of interest accrued on the Notes from the date thereof to the date of delivery to the Original Notes Purchaser shall be deemed a part of such amount deposited.

B. The sum of \$210,000, which is estimated to be the amount necessary to pay the costs of issuance of the Notes and related costs, shall be deposited in the Notes Cost of Issuance Account.

C. The sum of \$2,037,580, which is the amount necessary, together with other moneys available therefor and earnings thereon, to pay, on April 1, 1984, the entire principal amount of the 1982 Notes outstanding and the interest accrued thereon, shall be deposited in the Escrow Fund pursuant to the Escrow Agreement.

D. The sum of \$2,321,328 shall be deposited in the Ineligible Costs Account.

E. The remaining moneys derived from the sale of the Notes shall be deposited in each of the Eligible Costs Accounts in the following amounts:

Eligible Costs Account-Southern Phase Collection Lines	\$ 247,521
Eligible Costs Account-Southern Phase Treatment Plant	\$ 383,140
Eligible Costs Account-Northern Phase	\$1,387,921

Section 4.06. Tap Fees. All Tap Fees shall be deposited by the Issuer, as received, in the Ineligible Costs Account in the Notes Construction Trust Fund.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE

Section 5.01. Investments. The Trustee shall invest and reinvest any moneys held as a part of the funds and accounts created by this Indenture at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Indenture, 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 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. The Trustee 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 Trustee may make any and all investments permitted by this section through its own bond department, unless otherwise directed by the Issuer, and 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 may be purchased for the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, or the Grant Receipts Fund either in the open market or from the Notes Construction Trust Fund. If so purchased from the Notes Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

B. Qualified Investments acquired for the Notes Capitalized Interest Account shall have maturities or be subject to redemption at the option of the holder at least one day prior to the need for the funds by the Trustee for transfer to the Paying Agent.

C. Earnings on the Qualified Investments in the Eligible Costs Account shall be transferred periodically by the Trustee from the Eligible Costs Account to the Ineligible Costs Account.

D. Earnings on the Qualified Investments in the EPA Grant Receipts Account shall be transferred periodically by the Trustee from the EPA Grant Receipts Account to the Other Grant Receipts Account.

Section 5.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Trustee, that it shall not permit at any time or times any of the proceeds of the Notes or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Note to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and the Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the Original Notes Purchaser.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. Each of the following events shall constitute an "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 Indenture or any agreement supplemental hereto or in the Notes contained, and such default shall have continued for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the Trustee; the Trustee may give such notice in its discretion and, subject to the provisions of Section 7.03 hereof, shall give such notice at the written request of the Holders of not less than ten percent (10%) in aggregate principal amount of the Notes then Outstanding; 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.

The Trustee shall, within sixty (60) days of giving written notice of default as provided by Subsection (B) of this section or within sixty (60) days of such Event of Default, mail by first class United States mail, postage prepaid, a copy of such written notice of default or notice of such Event of Default to any Noteholder who has filed his name and address with the Trustee within two (2) years preceding such mailing for the purpose of receiving such copy or notice.

Section 6.02. Enforcement by Trustee. Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Notes at such time Outstanding shall, upon being satisfactorily indemnified as provided in Section 7.03 hereof, exercise in its own name any or all of the powers of the Noteholders under Section 6.04 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 Noteholders, including the right to require the Issuer to perform its duties under the Act and this Indenture;

(C) Bring suit upon the Notes;

(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 Noteholders; and

(E) By action or bill in equity enjoin any acts in violation of this Indenture or the rights of the Noteholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the Noteholders 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 Trustee or to the Noteholders 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.

Section 6.03. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Noteholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate pending such proceedings, with such powers as the court making such appointment shall confer.

Section 6.04. Enforcement by Noteholders. Any Holder of an Outstanding Note may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights, including those specified in Section 6.02 hereof, provided that, prior to resorting to any court of law or to any other legal process, either (i) such Holder has given written notice to the Issuer and the Trustee specifying the Event of Default to be complained of and requesting the Trustee to take appropriate action, has offered to indemnify the Trustee for its expenses in taking such

action, and the Trustee has failed to act within a reasonable time, or (ii) such Holder has obtained the written consent of the Trustee to the institution of the action, suit or proceeding proposed, and such action, suit or proceeding is brought for the ratable benefit of all Noteholders.

Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 6.05. Possession of Notes by Trustee not Required. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Notes and any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Notes.

Section 6.06. Restoration of Issuer and Trustee. In case the Trustee shall have proceeded to enforce any right under this Indenture 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 the Trustee shall be restored to their former positions and rights hereunder, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 6.07. Waiver of Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of a majority in aggregate principal amount of the Notes then Outstanding; provided, however, that there shall not be waived any default in the payment of (i) the principal of any Outstanding Note at the stated maturity or (ii) any interest when due on any Note.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Noteholder, shall extend to or

shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 6.08. Right to Enforce Payment of Notes Unimpaired. Nothing in this article shall affect or impair the right of any Noteholder to enforce the payment of the principal of or interest on his Note or the obligation of the Issuer to pay the principal of and interest on each Note to its Holder when due.

ARTICLE VII

FIDUCIARIES

Section 7.01. Appointment of Trustee; Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts and duties imposed upon it by this Indenture, but only upon the terms and conditions set forth herein.

Section 7.02. Paying Agent and Registrar. The Trustee is hereby appointed as the Paying Agent and the Registrar for the Notes, and the Trustee hereby accepts such appointment and agrees to perform such duties and trusts; provided, that, with the prior written consent of the Issuer and the Original Notes Purchaser, which consent shall not be unreasonably withheld, the Trustee may act as Paying Agent or Registrar through a duly appointed agent.

Section 7.03. Responsibilities of Fiduciaries. The recitals of fact in this Indenture and the Notes shall be taken as statements of the Issuer, and the Fiduciaries shall not be responsible for their accuracy. The Fiduciaries 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 this Indenture or of any Notes by the Issuer. The Noteholders shall indemnify any Fiduciary for any acts taken which may involve it in expense or liability or the institution or defense of any action or suit in respect of this Indenture or the Notes or an advance of any of its own moneys. Notwithstanding the foregoing, the Registrar shall be responsible for any representations in its certificate of authentication and registration on the Notes.

The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Any provision of this Indenture relating to action taken or to be taken by any Fiduciary or to evidence upon which such Fiduciary may rely shall be subject to the provisions of this section.

Section 7.04. Evidence on Which Fiduciary May Act. Except as otherwise provided by Section 10.01 hereof, a Fiduciary

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 a Fiduciary 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, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 7.05. Compensation and Expenses. The Issuer shall pay to any Fiduciary from time to time reasonable compensation for all services, and also reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties hereunder. The Issuer shall indemnify and save any Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its own negligence, default or willful misconduct.

Section 7.06. Certain Permitted Acts. A Fiduciary may become the owner of or may deal in Notes as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, such Fiduciary 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 Noteholders or effect or aid in any reorganization growing out of the enforcement of the Notes or this Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the Notes Outstanding.

Section 7.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Indenture by giving not less than sixty (60) days written notice to the Issuer, the Holders of the Notes, the Registrar and the Original Notes Purchaser specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Noteholders, in which event such resignation shall take effect immediately.

Section 7.08. Removal. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Notes then Outstanding, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Noteholders or by their attorneys duly authorized in writing and delivered to the Issuer. Copies of each such instrument shall be delivered by the Issuer to the Trustee.

Section 7.09. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer or court shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Notes then Outstanding, by an instrument or concurrent instruments in writing signed by such Noteholders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Issuer and the predecessor Trustee. Pending such appointment, the Issuer shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by such Noteholders. The Issuer shall, by registered or certified mail, mail notice of any such appointment to the Holders of the Notes at the address shown for each such Holder on the registry books maintained by the Registrar within twenty (20) days after such appointment. Any successor Trustee appointed by the Issuer shall, immediately and without further act, be superseded by a Trustee appointed by such Noteholders. If in a proper case no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Trustee or any Noteholder may apply to any court of competent jurisdiction to appoint a successor. Any Trustee appointed under the provisions of this section shall be a bank, trust company or national banking association doing business and having its principal office in the State, having trust powers and authorized to perform the duties imposed upon it by this Indenture and insured by FDIC.

Section 7.10. Transfer of Rights and Property to Successor. Any predecessor Trustee shall pay over, assign and deliver any moneys and Qualified Investments or assets of the Trust Estate held by it to its successor.

Section 7.11. Merger or Consolidation. Any company into which the Trustee 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 Trustee 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 Trustee 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 7.09.

Section 7.12. Additional and Successor Paying Agents and Registrars. A. The Issuer may at any time, with the approval of

the Original Notes Purchaser and pursuant to Section 9.01 hereof, appoint one or more other Paying Agents having the qualifications hereinafter set forth as an additional or successor Paying Agent and appoint another Registrar, having the qualifications hereinafter set forth, as a successor Registrar.

B. Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' written notice to the Issuer, the Trustee and the other Paying Agents, if any. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar, as the case may be, and the Trustee and signed by the Issuer.

Any successor or additional Paying Agent and any successor Registrar must be a bank, trust company or national banking association authorized by law to perform all the duties imposed upon it by the Indenture. Such successor or additional Paying Agent or successor Registrar 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.

C. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there be no successor, to the Trustee. In the event of the resignation or removal of the Registrar, such Registrar shall deliver the registration books of the Issuer to its successor, or, if there be no successor, to the Trustee. If the position of Paying Agent or Registrar shall become vacant for any reason, the Issuer shall, within thirty (30) days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent or the Registrar to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent or Registrar within said period, the Trustee shall, in its discretion, make such appointment or serve as such.

D. Any bank, trust company or national banking association with or into which any Paying Agent or the Registrar may be merged or consolidated, or to which the assets and business of such Paying Agent or Registrar may be sold, shall be deemed the successor of such Paying Agent or Registrar, as the case may be, for the purposes of this Indenture.

E. Notice of the appointment of successor or additional Paying Agents, Registrar or fiscal agents shall be given in the same manner as provided by Section 7.09 hereof with respect to the appointment of a successor Trustee.

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

ARTICLE VIII

DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.01. Defeasance; Discharge of Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then this Indenture and the pledges of Grant Receipts, net proceeds of the Original Bonds and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Notes made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

Notes 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 Notes shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Notes 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 Trustee 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 Trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Notes on and prior to the maturity date thereof. Neither securities nor moneys deposited with the 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 and interest on said Notes; provided, that any cash received from such principal or interest payments on such securities deposited with the 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 interest to become due on said Notes on and prior to such maturity date thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures not Requiring Consent of Noteholders. The Issuer and the Trustee may without the consent of, or notice to, any of the Noteholders enter into an indenture or indentures supplemental to this Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(A) To specify, determine or authorize any matters and things concerning the Notes or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(B) To authorize a series of refunding notes or other obligations, including the Refunding Notes, and to specify, determine or authorize any matters and things concerning any such refunding notes or other obligations or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(C) To impose additional covenants or agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture;

(D) To impose other limitations or restrictions upon the Issuer;

(E) To surrender any right, power or privilege reserved to or conferred upon the Issuer by this Indenture;

(F) To confirm, as further assurance, any pledge of or lien upon the Grant Receipts, the net proceeds of the Original Bonds or any other moneys, securities or funds;

(G) To cure any ambiguity, omission or defect in this Indenture;

(H) To modify or amend any of the terms or provisions of this Indenture if no Notes are Outstanding at the time of such modification or amendment; and

(I) To modify or amend any of the terms or provisions of this Indenture, provided that such modification by its terms shall not take effect until all

Notes Outstanding on the date of adoption of such modification or amendment shall have ceased to be Outstanding.

Section 9.02. Amendment by Consent of Holders. Except for the supplemental indentures allowed under Section 9.01 hereof, this Indenture or any indenture supplemental hereto and the rights and obligations of the Issuer, the Trustee and the Noteholders may be modified or amended only with the written consents of the Holders of sixty percent (60%) in aggregate principal amount of the Notes then Outstanding, which must be filed with the Trustee before any such modification or amendment may become effective. 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 Note without the express written consent of the Holder of such Note, nor reduce the percentage of Notes required for consent to any such modification or amendment.

ARTICLE X

MISCELLANEOUS

Section 10.01. Evidence of Signatures of Notaholders and Ownership of Notes. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Notaholders may be in one or more instrument of similar tenor, and shall be signed or executed by such Notaholders in person or by their attorneys duly authorized in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, or (ii) the ownership by any person of any Notes shall be sufficient for any purpose of this Indenture if made in the following manner, or in any manner satisfactory to the appropriate Fiduciary, 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 Notaholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments 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, trust company or financial firm or corporation satisfactory to the Fiduciary 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 Notaholder 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 Notes owned by any person executing any such instrument as a Notaholder, the numbers and other identification thereof, and the date of his ownership of such Notes may be proved by a certificate, executed by the Registrar showing that at a date therein mentioned such person was the owner of such Notes as shown on the registry books maintained by the Registrar. Any request, consent or other instrument executed by the Holder of any Note shall bind all future Holders of such Note, or any replacement or replacements therefor in respect of anything done or

suffered to be done hereunder by the Issuer or the Trustee in accordance therewith.

Section 10.02. Preservation and Inspection of Documents.

All reports, certificates, statements and other documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Noteholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Indenture shall be discharged as provided in Section 8.01 hereof.

Section 10.03. Cancellation of Notes.

All Notes 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 Notes shall be deemed Outstanding under this Indenture and no Notes shall be issued in lieu thereof. All such Notes 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 10.04. Failure to Present Notes.

Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Notes which remain unclaimed for one (1) year after the date on which such Notes 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 Trustee or said Paying Agent to the Issuer as its absolute property and free from trust, and the Trustee or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Notes shall look only to the Issuer for the payment of such Notes; provided, however, that, before making any such payment to the Issuer, the Trustee or said Paying Agent shall at the expense of the Issuer cause to be mailed by registered or certified mail to the Holders of such Notes, at their respective addresses listed on the registry books maintained by the Registrar, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

Section 10.05. 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 Trustee, the Original Notes Purchaser or the Consulting Engineers 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:

A. Issuer:

Crab Orchard-MacArthur Public Service District
Post Office Drawer 278
Crab Orchard, West Virginia 25827
Attention: Chairman

B. Trustee:

Raleigh County National Bank
Post Office Box 1269
Beckley, West Virginia 25801
Attention: Corporate Trust Department

C. Consulting Engineers:

Gates Engineering Company
Post Office Drawer AF
Beckley, West Virginia 25801
Attention: President

D. Original Notes Purchaser:

Young Moore & Company, Inc.
1500 Kanawha Valley Building
Charleston, West Virginia 25301
Attention: President

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 10.06. No Personal Liability. No officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Note, but nothing herein contained shall relieve any such official or employee from the performance of any official duty provided by law or this Indenture.

Section 10.07. Law Applicable. The laws of the State shall govern the construction of this Indenture and of all Notes issued hereunder.

Section 10.08. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Trustee, the Registrar, the Paying Agent, the Holders of the Notes and the Original Notes Purchaser any right, remedy or claim under or by reason of this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Registrar, the Paying Agent, the Holders of the Notes and the Original Notes Purchaser.

Section 10.09. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Indenture shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Indenture.

Section 10.10. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.11. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT has caused this Indenture to be executed on its behalf by the Chairman of its Public Service Board and has caused the seal of the Issuer to be hereunto affixed and duly attested by the Secretary of its Public Service Board; and RALEIGH COUNTY NATIONAL BANK, as Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer and its corporate seal to be hereunto affixed and duly attested, all as of the date and year first above written.

CRAB ORCHARD-MacARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]

By Joseph L. Whitrow
Chairman

ATTEST:

By O. V. Kelly
Secretary

RALEIGH COUNTY NATIONAL BANK,
Trustee

[SEAL]

By W. David Mullins
Its V.P.T.D.

ATTEST:

By James D. Stuby
Its A.T.T.

The foregoing instrument was prepared by Vincent A. Collins of Steptoe & Johnson, Clarksburg, West Virginia.

EXHIBIT A

[FORM OF FRONT OF NOTE]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH
CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION NOTE,
SERIES 1983

INTEREST RATE:

MATURITY DATE:

CUSIP NO.

June 1, 1986

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "Issuer"), for value received, hereby promises to pay (but only from the sources pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, unless redeemed prior thereto, as hereinafter provided, the Principal Amount identified above, and to pay interest at the annual Interest Rate identified above semiannually on June 1 and December 1 of each year, from the interest payment date next preceding the date of registration of this Note (unless this Note is registered as of an interest payment date, in which event it shall bear interest from the date of registration hereof, or unless this Note is registered prior to June 1, 1984, in which event it shall bear interest from December 1, 1983) until payment of such principal sum is made in full. The principal (or redemption price) hereof is payable in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender of this Note at the office of Chemical Bank, New York, New York (the "Registrar"), as the agent for Raleigh County National Bank, Beckley, West Virginia, as Trustee. Interest hereon is payable by check or draft mailed to the Registered Owner hereof at the address shown on the registry books maintained by the Registrar

as of the 15th day of the month next preceding such interest payment date.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note exist, have happened and have been performed in due time, form and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Note and the Notes of the issue of which this Note is one is not in violation of any constitutional, statutory or charter limitation of indebtedness.

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

This Note and the interest hereon are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

This Note shall not be entitled to any benefit under the Bond Legislation or the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

IN WITNESS WHEREOF, CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal or a facsimile thereof to be imprinted hereon and attested by the signature of its Secretary in the manner provided in the Indenture, as of this 1st day of December, 1983.

Date of Authentication: _____

CRAB ORCHARD-MacARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]

(Facsimile Signature)

Chairman

ATTEST:

(Manual Signature)

Secretary

(FORM OF REGISTRAR'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION)

This Note is one of the fully registered Notes described
in the within-mentioned Bond Legislation and Indenture.

CHEMICAL BANK, Registrar, as agent for
Raleigh County National Bank

By _____
Authorized Officer

(FORM OF REVERSE OF NOTE)

This Note is one of an issue of Notes (the "Notes") in the aggregate principal amount of \$7,620,000, of like tenor and effect, except as to number and denomination, issued (i) to refund and pay on April 1, 1984, \$5,150,000 in aggregate principal amount of the Issuer's Sewerage System Construction Notes, Series 1982, dated October 1, 1982 (the "1982 Notes") and the interest accrued thereon; (ii) to finance certain costs of the construction and acquisition of certain new sewerage facilities for the Issuer (the "Project"), a portion of which have heretofore been paid from proceeds of the 1982 Notes (the Project, together with any improvements and extensions thereto, is hereinafter referred to as the "System"), pending receipt by the Issuer of certain grant proceeds from the United States Environmental Protection Agency (the "EPA") and other federal, state and local agencies (collectively, as received after the date of issuance of the Notes, the "Grant Receipts"), and the issuance and delivery by the Issuer of certain Sewer Revenue Bonds (the "Bonds") as described below; (iii) to pay interest on the Notes when due; and (iv) to pay certain costs of issuance thereof, costs relating to the refunding and payment of the 1982 Notes and related costs, and is issued in anticipation of such Grant Receipts and Bond proceeds. 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 Resolution and Supplemental Resolution duly adopted by the Issuer (collectively, the "Bond Legislation"), and is issued and secured pursuant to the terms of a Trust Indenture (the "Indenture") dated as of December 1, 1983, between the Issuer and the Trustee, and is subject to all the terms and conditions of said Indenture.

The Notes are subject to redemption at the option of the Issuer prior to maturity, in whole, but not in part, at any time on or after June 1, 1985, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. Notice of any such redemption shall be given by the Registrar by certified or registered mail to the Registered Owner of the Notes to be redeemed at the address on registry books maintained by the Registrar, not less than 30 days prior to the date fixed for redemption, stating the redemption price and the place or places where payment of the redemption price will be made.

This Note is a special obligation of the Issuer, secured by the Indenture and payable solely from (i) the Grant Receipts; (ii) the net proceeds of the Bonds; (iii) other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established with respect to the Notes by the Indenture;

(iv) the proceeds of a draw by the Trustee under that certain letter of credit obtained by the Issuer for the benefit of the Trustee in the amount of \$4,070,000 to pay the principal of the Notes which would otherwise be paid from the proceeds of the Bonds or the Grant Receipts retained pending satisfactory completion of the EPA audit or both (the "Letter of Credit"), net of the Issuer's costs of issuing certain refunding notes to evidence such draw; (v) the net proceeds of any refunding notes or other obligations issued for such purpose; and (vi) the net revenues, of the System. Issuance of the Bonds and the sale thereof to the West Virginia Water Development Authority (the "Authority") were authorized by the Bond Legislation. The Authority has indicated its intention to purchase such Bonds, in an aggregate principal amount of not more than \$3,470,000, pursuant to a loan agreement to be entered between the Issuer and the Authority, with a portion of the proceeds of the Authority's next issue of bonds issued with respect to its loan program; provided, that the Issuer must satisfy certain legal and other requirements of said program; and provided, further, that the Issuer may sell the Bonds to any other purchaser prior to entering into said loan agreement with the Authority. In the event that, on or prior to the 60th day next preceding the maturity hereof, the Authority and the Issuer have not entered into a binding agreement for the purchase of the Bonds by the Authority on or prior to the 30th day next preceding the maturity hereof, the Issuer shall issue and sell its Bonds to another original purchaser.

Pursuant to the Indenture, the Issuer has pledged and assigned the Grant Receipts, the net proceeds of the Bonds, and other moneys, including investment income and unexpended Note proceeds, held in the funds and accounts established by the Indenture, said net revenues of the System and said net proceeds of a draw by the Trustee under the Letter of Credit and of any refunding notes or other obligations issued for the purpose of paying all or a portion of the principal of or interest on the Notes to the Trustee, to be held by the Trustee to secure the payment of the Notes.

All moneys received from the sale of the Notes shall be applied solely to the refunding and payment of the 1982 Notes and to the payment of certain costs of the Project, as defined in the Indenture, including payment of any indebtedness incurred by the Issuer for such purposes which is required to be paid from the moneys received from the sale of such Notes, to the appurtenant capitalized interest account and to the payment of certain costs of issuance and related costs, and the Indenture creates a lien upon such moneys, until so applied, in favor of the Registered Owners of the Notes.

If, 30 days prior to the maturity hereof, the funds deposited for payment are insufficient to pay the entire principal of and interest to be accrued on the Notes to the date of maturity, the Trustee shall draw upon the Letter of Credit, but only upon the conditions and as described in the Indenture, to which reference is made for a further description of the security for the Notes.

Interest on this Note is payable from certain proceeds of the sale hereof, to be held for such purpose by the Trustee, together with the earnings thereon and certain other moneys available therefor. This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the sources specified above. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged, for the payment of the principal of or interest on this Note.

Under the Indenture, the Issuer has entered into certain covenants on behalf of the Registered Owners of the Notes, for the terms of which reference is made to said Indenture. The Issuer has covenanted not to issue any obligations with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on a parity with the lien on behalf of the Notes so long as any of the Notes is outstanding. Remedies provided the Trustee on behalf of the Registered Owner of this Note, and to said Registered Owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

The Notes of the issue of which this Note is one are issuable only as registered Notes, without coupons, in denominations of \$5,000 and any integral multiple thereof. Registration of this Note may be transferred, or this Note may be exchanged, at the office of the Registrar by the Registered Owner hereof in person or by his, her or its attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer or exchange a new Note or Notes, of authorized denomination or denominations, for the like aggregate principal amount, shall be issued, to the transferee in the case of transfer, in exchange herefor.

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned Registered Owner do(es) hereby sell, assign and transfer unto _____

(name, address and social security number or other identifying number of assignee) the within-mentioned Note and irrevocably constitute(s) _____ and _____ appoint(s)

to transfer the same on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated: _____

Registered Owner

(NOTE: The signature must correspond with the name of the Registered Owner as it appears upon the front of this Note in every particular, without alteration or enlargement or any change whatsoever.)

03/20/84
ORCH3-A

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

TO

RALEIGH COUNTY NATIONAL BANK
AS TRUSTEE

SUPPLEMENTAL TRUST INDENTURE

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05/27/86
CROR3-B

SUPPLEMENTAL TRUST INDENTURE

THIS SUPPLEMENTAL TRUST INDENTURE, dated as of May 29, 1986, by and between CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia, herein called the "Issuer," and RALEIGH COUNTY NATIONAL BANK, Beckley, West Virginia, a national banking association authorized to accept and execute trusts and covenants of the character herein set forth, herein called the "Trustee."

WHEREAS, capitalized words and phrases used in these Preambles and the Granting Clauses below and not otherwise defined in these Preambles or said Granting Clauses shall have the respective meanings given them in a Bond and Notes Resolution of the District adopted November 9, 1983, as supplemented by supplemental resolutions adopted November 9, 1983, and December 2, 1983 (collectively, the "Bond Legislation") and a Trust Indenture dated as of December 1, 1983, by and between the Issuer and the Trustee (the "Original Indenture"), pursuant to which this supplemental indenture (the "Supplemental Indenture") is hereby being executed and delivered (the Original Indenture and this Supplemental Indenture hereinafter called the "Indenture");

WHEREAS, by the Bond Legislation, the Board of the Issuer duly authorized construction and acquisition of the Project at an estimated cost of \$16,367,207, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Board;

WHEREAS, pursuant to the Original Indenture the Issuer issued its Sewerage System Refunding and Construction Notes, Series 1983, dated December 1, 1983 in the aggregate principal amount of \$7,620,000 (the "Construction Notes"), which Construction Notes mature June 1, 1986;

WHEREAS, due to construction delays and attendant failure by the Issuer to receive all EPA Retainage prior to maturity of the Construction Notes, it is necessary for the District, through the Trustee, to make a draw under the Letter of Credit to provide adequate moneys to pay the principal of and interest accrued on the Construction Notes on June 1, 1986;

WHEREAS, such shortfall is due solely to an EPA Retainage Deficiency;

WHEREAS, pursuant to the Letter of Credit and a reimbursement agreement (the "Reimbursement Agreement") dated as of December 1, 1983, by and between the Issuer and Raleigh County National Bank (the "Bank") the Issuer has agreed to issue refunding notes (the "Refunding Notes") in an aggregate principal amount equal to the amount of the draw under the Letter of Credit and to enter into this Supplemental Indenture in order to secure such Refunding Notes;

WHEREAS, the Issuer contemplates receipt of the balance of EPA Retainage in the amount of \$ 230,893 on or before August 1, 1986, and additionally contemplates receipt of the balance of the proceeds of the Original Bonds in the amount of \$ 161,688 on or before August 1, 1986, all of which shall be pledged to payment of the Refunding Notes as set forth herein;

WHEREAS, it is deemed necessary for the Issuer to issue its Refunding Notes in the aggregate principal amount of \$ 230,893 to pay, on June 1, 1986, a portion of the principal of the Construction Notes and to pay the costs of issuance of such Refunding Notes, pending receipt of the balance of the EPA Retainage and the balance of proceeds of the Original Bonds;

WHEREAS, the Issuer has determined, as set forth in a supplemental resolution adopted May 27, 1986 (the "Refunding Notes Resolution"), to issue the Refunding Notes and to enter into this Supplemental Indenture to secure the Refunding Notes in the manner set forth herein;

WHEREAS, the Refunding Notes originally authorized hereby and the Registrar's certificate of authentication and registration to be endorsed thereon are all to be in substantially the forms set forth in Exhibit A attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Supplemental Indenture or the Refunding Notes Resolution or deemed necessary by the Trustee and the Issuer; and

WHEREAS, all things necessary to make the Refunding Notes, when authenticated and registered by the Registrar and issued as in

this Indenture provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge and assignment of those funds pledged to the payment of the principal of and interest on the Notes and a valid pledge and assignment of the rights of the Issuer in the balance of EPA Retainage and Original Bonds proceeds and other moneys, including investment income and unexpended Construction Note proceeds, held in the funds and accounts established by the Indenture, and the Net Revenues have been done and performed; and the creation, execution and delivery of this Supplemental Indenture, and the creation, execution and issuance of the Refunding Notes, subject to the terms thereof, have in all respects been duly authorized and 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;

NOW, THEREFORE, THIS TRUST REFUNDING INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the Trust Estate hereby created, of the purchase and acceptance of the Refunding Notes by the purchaser thereof and the Holders thereof and of other good and lawful consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Refunding Notes according to their tenure and effect and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Refunding Notes, has executed this Supplemental Indenture and does hereby grant, bargain, sell, convey, pledge and assign the following to, and does hereby confirm and grant a security interest in the following in, Raleigh County National Bank, Beckley, West Virginia, as Trustee, and its successors in trust and assigns forever, all and singular the property hereinafter described, to wit:

FIRST GRANTING CLAUSE

All right, title and interest of the Issuer in and to the EPA Retainage received by the Issuer following the date hereof.

SECOND GRANTING CLAUSE

All right, title and interest of the Issuer in and to the net proceeds of the Original Bonds received by the Issuer following the date hereof and other moneys, including investment income and unexpended Construction Note proceeds, held in the funds and accounts established by the Indenture, and pledged to payment of the Construction Notes.

THIRD GRANTING CLAUSE

All Net Revenues of the System, provided that such pledge of Net Revenues shall be junior and subordinate to the pledge thereof in favor of the holders of the Original Bonds.

FOURTH GRANTING CLAUSE

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Issuer or by anyone in its behalf, or with its written consent.

SUBJECT TO THE TERMS HEREOF, TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, and the rights and privileges hereby conveyed, pledged and assigned by the Issuer, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, for the equal and proportionate benefit, security and protection of each and every Holder of the Refunding Notes issued under and secured by this Supplemental Indenture, without preference, priority or distinction as to the lien, benefit and protection hereof of one of such Refunding Notes over or from the others, for any reason whatsoever except as herein otherwise expressly provided, so that each and all of such Refunding Notes (except as so expressly provided) shall have the same right, lien and privilege under this Supplemental Indenture and shall be equally secured hereby;

PROVIDED, HOWEVER, and these presents are upon the express condition, that, if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and interest on the Refunding Notes, according to the provisions set forth in the Refunding Notes and each of them or shall provide for the payment or redemption of such Refunding Notes by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment thereof when and as authorized by the provisions hereof, and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the Trust Estate and rights hereby granted shall cease, determine and become void; otherwise, this Indenture shall be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto that the Refunding Notes issued hereunder are to be issued, authenticated, registered and delivered, and that the Trust Estate is to be held and applied, subject to the further covenants, conditions, releases, uses and trusts hereinafter set forth, and the Issuer, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its respective successors and assigns in said trust, for the benefit of the Holders of the Refunding Notes or any of them, as follows:

ARTICLE I

THE REFUNDING NOTES

Section 1.01. Authorization and Terms of Refunding Notes. The Refunding Notes originally authorized hereby shall be designated "Sewerage System Refunding and Construction Refunding Notes, Series 1986." The Notes shall be originally issued in the form of a single note in the principal amount of \$ 230,896; shall be dated May 29, 1986; shall bear interest from the date thereof at a rate per annum equal to 75% of the prime rate being charged by Chemical Bank, New York, New York, on the date of delivery thereof, but not more than 12% per annum, payable monthly on the first day of each month, commencing July 1, 1986; shall mature on May 29, 1987; and shall be subject to prepayment prior to maturity in whole or in part, at any time upon 5 days' written notice to the registered owner thereof, at a prepayment price equal to the principal amount thereof plus accrued interest to the date of prepayment, without premium.

Interest on the Notes shall be payable by check or draft mailed or otherwise delivered to the Holder thereof at the address shown on the registry books maintained by the Registrar (or by such other method as shall be mutually agreeable to the Holder thereof and the Paying Agent) as of the last day of the month preceding such interest payment date. Principal of the Refunding Notes shall be payable upon surrender of such Refunding Notes at the principal office of the Paying Agent in any coin or currency which, on the date of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America.

The Refunding Notes shall be issued in registered form, without coupons, numbered from R-1 upward in the denomination of \$5,000 or any integral multiple thereof.

Section 1.02. Execution of Refunding Notes. The Refunding Notes shall be executed in the name of the Issuer by the manual signature of the Chairman, and the seal of the Issuer shall be affixed thereto, and attested by the manual signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Refunding Notes shall cease to be such officer before the Refunding Notes so signed and sealed shall have been actually sold and delivered, such Refunding Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Refunding Notes had not ceased to hold such office. Any Refunding Notes may be signed and sealed on behalf of the Issuer by such person as at the

actual time of the execution of such Refunding Notes shall hold the proper office although at the date of such Refunding Notes, or at the date of registration thereof, such person may not have held such office or may not have been so authorized.

Section 1.03. Authentication. No Refunding Note shall be valid or obligatory for any purpose or entitled to any security or benefit under this Supplemental Indenture unless and until a certificate of authentication and registration on such Refunding Note, substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference as a part hereof, shall have been duly executed by the Registrar. Any such executed certificate of the Registrar upon any such Refunding Note shall be conclusive evidence that such Refunding Note has been authenticated and delivered under this Supplemental Indenture and that the Holder thereof is entitled to the benefits hereof. The Registrar's certificate of authentication and registration on any Refunding Note shall be deemed to have been executed by it 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 Refunding Notes issued hereunder.

Section 1.04. Form of Refunding Notes. The Refunding Notes originally issued under this Supplemental Indenture shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by reference as a part hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Supplemental Indenture or the Refunding Notes Resolution or deemed necessary by the Trustee and the Issuer.

Section 1.05. Delivery of Refunding Notes. Upon the execution and delivery of this Supplemental Indenture, the Issuer shall execute and deliver the Refunding Notes originally authorized hereby to the Trustee, and, upon receipt of the documents set forth below, the Trustee shall deliver them to the original purchaser thereof as directed by the Issuer and as hereinafter in this Section 1.05 provided.

Prior to the delivery by the Trustee of any of the Refunding Notes, there shall be filed with the Trustee:

(A) A copy, duly certified by the Secretary, of the Refunding Notes Resolution authorizing the execution and delivery of this Supplemental Indenture and the issuance and sale of the Refunding Notes;

(B) An original executed counterpart of this Supplemental Indenture;

(C) A signed opinion of nationally recognized bond counsel regarding the validity of the Refunding Notes and this Supplemental Indenture; and

(D) A request and authorization to the Trustee on behalf of the Issuer, signed by the Authorized Officer, to deliver the Refunding Notes to the original purchaser thereof upon payment to the Trustee, but for the account of the Issuer, of a sum specified in such request and authorization plus interest accrued thereon to the date of delivery, if any, the proceeds of which payment shall be paid over to the Trustee and deposited to the credit of the funds and accounts specified herein.

In addition to its duties as Registrar and Paying Agent, the Trustee may carry out the provisions of Section 1.05 through a duly appointed agent acceptable to the Issuer and the original purchaser of the Refunding Rates.

Section 1.06. Negotiability, Transfer and Registration. The Refunding Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but each of such Refunding Notes may only be transferred by transfer of the registration thereof as hereinafter provided. Each Refunding Note shall be transferable without service charge, except to the Issuer, only upon the books required to be kept pursuant to Section 1.08 hereof, by the Holder thereof, in person or by his attorney duly authorized in writing, upon surrender of such Refunding Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. The Refunding Notes shall be exchangeable for a Refunding Note or Refunding Notes of authorized denominations also at the principal office of the Registrar.

For every exchange or transfer of Refunding Notes, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, but the Issuer shall pay any service charge in connection with transfer.

Section 1.07. Refunding Notes Mutilated, Destroyed, Stolen or Lost. In case any Refunding Note shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall authenticate and deliver, a new Refunding Note in exchange and substitution for such mutilated, destroyed, stolen or lost Refunding Note upon surrender and cancellation of such mutilated Refunding Note or in lieu of and substitution for the Refunding Note destroyed, stolen or lost and upon the Holder's furnishing the Issuer satisfactory indemnity and

complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer or the Registrar may incur. All Refunding Notes so surrendered shall be submitted to and cancelled by the Registrar and held for the account of the Issuer. If such Refunding Note shall have matured or be about to mature, instead of issuing a substitute Refunding Note the Issuer may pay the same, upon being indemnified as aforesaid, and if such Refunding Note be lost, stolen or destroyed, without surrender therefor.

Section 1.08. Registrar. The Issuer will keep or cause to be kept at the principal office of the Registrar, sufficient books for the registration and transfer of the Refunding Notes, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register all Refunding Notes initially issued pursuant hereto and register or cause to be registered, on such books, the transfer or exchange of Refunding Notes as hereinbefore provided.

The Registrar shall accept a Refunding Note for transfer of registration only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

ARTICLE II

SECURITY FOR AND COVENANTS REGARDING THE REFUNDING NOTES

Section 2.01. Payment of the Refunding Notes. Subject to the restrictions and limitations on the sources of payment hereinafter set forth, the Issuer covenants that it will promptly pay, or cause to be paid, the principal of and interest on every Refunding Note issued under this Supplemental Indenture at the place, on the dates and in the manner provided herein and in the Refunding Notes according to the true intent and meaning thereof. The principal of and interest on the Refunding Notes shall be payable from the balance to be received by the Issuer following the date hereof of the EPA Retainage and the net proceeds of the Original Bonds and other moneys, including investment income and unexpended Construction Note proceeds, held in the funds and accounts established by the Indenture and pledged to payment of the Construction Notes, and the Net Revenues derived from the operation of the System, but only after there has first been paid all amounts currently due and owing on the Original Bonds (including all sums required to be deposited in any reserve account, renewal and replacement account or similar fund or account) and payable from such Net Revenues. The Refunding Notes are special obligations of the Issuer, payable solely from said sources described above, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged, for the payment of the Refunding Notes. Neither the Trustee nor the Holders of the Refunding Notes shall ever have the right to compel the forfeiture of any property of the Issuer. The Refunding 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 described in this Supplemental Indenture.

Notwithstanding anything in this Supplemental Indenture to the contrary, the Issuer shall not be required to advance any money derived from any source of income other than the funds pledged by this Supplemental Indenture for the payment of the principal of or interest on the Refunding Notes or for the performance of any of its duties under this Supplemental Indenture. The Issuer may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Issuer for such purpose without incurring indebtedness.

Section 2.02. Restrictions on Other Debt. The Issuer hereby covenants that, so long as any of the Refunding Notes

originally issued hereunder are Outstanding, it will not issue any bonds, notes or other evidences of indebtedness with a lien on or otherwise payable from any source of payment pledged for such Refunding Notes prior to or on a parity with the lien on behalf of such Refunding Notes, except the Original Bonds.

Section 2.03. Particular Covenants. In order to further secure the payment of the Refunding Notes, the Issuer hereby particularly covenants and agrees that the Issuer, if and so long as any of the Notes is Outstanding:

(A) Will promptly deposit proceeds of the Refunding Notes with the Trustee in the Notes Debt Service Fund in an amount, which together with other moneys available therefor and earnings thereon will be sufficient to pay, on June 1, 1986, the entire principal amount of Construction Notes outstanding and interest accrued thereon;

(B) Will proceed to complete with all practicable dispatch the construction and acquisition of the Project and will maintain, or require all contractors for the Project to maintain, as appropriate, all indemnity bonds and insurance required by the contract documents and by law;

(C) Will not make or cause or permit to be made any application of the proceeds of the Refunding Notes or of any moneys held in the Notes Debt Service Fund, except in accordance with the provisions of Article IV of the Indenture;

(D) Will comply in all respects with the terms, conditions and provisions of all Grant Agreements and with all applicable State and federal laws and regulations governing the implementation of any Grant Agreement;

(E) Will impose and collect rates and charges for the use and services of the System in accordance with the requirements of any Grant Agreement and the Bond Legislation;

(F) Will take all actions necessary to enforce any Grant Agreement and to preserve its right to receive payments or reimbursements under the Grant Agreements;

(G) Will continue promptly to request any payment or reimbursement to which it has become entitled under the Grant Agreements;

(H) Will not unilaterally terminate, or enter into any agreement to terminate, any Grant Agreement; and

(I) Will not create, assume or suffer to be created any judgment, mortgage or deed of trust, pledge or other lien, encumbrance or charge on the Gross Revenues or the Net Revenues, or on any property or assets, real or personal, of the System prior to or on a parity with the lien created on behalf of the Refunding Notes originally issued hereunder (except for the liens and pledges in favor of the holders of the Original Bonds).

ARTICLE III

REFUNDING NOTES PROCEEDS

Section 3.01. Application of Refunding Notes Proceeds. From the moneys received from the sale of the Refunding Notes originally issued hereunder, the Trustee shall make the following deposits:

A. The sum of ~~\$4,000~~, which is estimated to be the amount necessary to pay the costs of issuance of the Refunding Notes and related costs, shall be deposited in the Bond Construction Trust Fund established pursuant to the Bond Legislation and applied to payment of such costs of issuance and related costs..

B. The sum of \$ 230,893, which is the amount necessary, together with other moneys available therefor and earnings thereon, to pay, on June 1, 1986, the entire principal amount of the Construction Notes outstanding and the interest accrued thereon, shall be deposited in the Notes Debt Service Fund.

Section 3.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Trustee, that it shall not permit at any time or times any of the proceeds of the Notes or any other funds of the Issuer to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Note to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code, and the Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the Original Notes Purchaser.

ARTICLE IV

DEFAULTS AND REMEDIES

Section 4.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Refunding Notes:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Refunding Notes in this Supplemental Indenture or any agreement supplemental hereto or in the Refunding Notes 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 the Trustee; 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 4.02. Enforcement by Trustee. Upon the happening and continuance of any Event of Default the Trustee may exercise in its own name any or all of the powers of the Holders of the Refunding Notes under Section 4.03 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 Holders of the Refunding Notes, including the right to require the Issuer to perform its duties under the Act and this Supplemental Indenture;

(C) Bring suit upon the Refunding Notes;

(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 Holders of the Refunding Notes; and

(E) By action or bill in equity enjoin any acts in violation of this Supplemental Indenture or the rights of the Holders of the Refunding Notes.

No remedy by the terms of this Supplemental Indenture conferred upon or reserved to the Trustee or to the Holders of the Refunding Notes, 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 Trustee or to the Holders of the Refunding Notes 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.

Section 4.03. Enforcement by Holders of the Refunding Notes. Any Holder of an Outstanding Refunding Note may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights, including those specified in Section 4.02 hereof, provided that, prior to resorting to any court of law or to any other legal process, either (i) such Holder has given written notice to the Issuer and the Trustee specifying the Event of Default to be complained of and requesting the Trustee to take appropriate action, has offered to indemnify the Trustee for its expenses in taking such action, and the Trustee has failed to act within a reasonable time, or (ii) such Holder has obtained the written consent of the Trustee to the institution of the action, suit or proceeding proposed, and such action, suit or proceeding is brought for the ratable benefit of all Noteholders.

Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Refunding Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 4.04. Possession of Refunding Notes by Trustee not Required. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Refunding Notes may be enforced by the Trustee without the possession of any

of the Refunding Notes or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Refunding Notes and any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Refunding Notes.

Section 4.05. Restoration of Issuer and Trustee. In case the Trustee shall have proceeded to enforce any right under this Supplemental Indenture 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 the Trustee shall be restored to their former positions and rights hereunder, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 4.06. Waiver of Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of a majority in aggregate principal amount of the Refunding Notes then Outstanding; provided, however, that there shall not be waived any default in the payment of (i) the principal of any Outstanding Refunding Note at the stated maturity or (ii) any interest when due on any Refunding Note.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holder of a Refunding Note, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 4.07. Right to Enforce Payment of Refunding Notes Unimpaired. Nothing in this article shall affect or impair the right of any Holder of a Refunding Note to enforce the payment of the principal of or interest on his Refunding Note or the obligation of the Issuer to pay the principal of and interest on each Refunding Note to its Holder when due.

ARTICLE V

FIDUCIARIES

Section 5.01. Appointment of Trustee; Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts and duties imposed upon it by this Supplemental Indenture, but only upon the terms and conditions set forth herein.

Section 5.02. Paying Agent and Registrar. The Trustee is hereby appointed as the Paying Agent and the Registrar for the Refunding Notes, and the Trustee hereby accepts such appointment and agrees to perform such duties and trusts; provided, that, with the prior written consent of the Issuer and the Holders of the Refunding Notes, which consent shall not be unreasonably withheld, the Trustee may act as Paying Agent or Registrar through a duly appointed agent.

Section 5.03. Responsibilities of Fiduciaries. The recitals of fact in this Indenture and the Refunding Notes shall be taken as statements of the Issuer, and the Fiduciaries shall not be responsible for their accuracy. The Fiduciaries 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 this Indenture or of any Refunding Notes by the Issuer. The Holders of the Refunding Notes shall indemnify any Fiduciary for any acts taken which may involve it in expense or liability or the institution or defense of any action or suit in respect of this Supplemental Indenture or the Refunding Notes or an advance of any of its own moneys. Notwithstanding the foregoing, the Registrar shall be responsible for any representations in its certificate of authentication and registration on the Refunding Notes.

The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Supplemental Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this Supplemental Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Any provision of this Supplemental Indenture relating to action taken or to be taken by any Fiduciary or to evidence upon which such Fiduciary may rely shall be subject to the provisions of this section.

Section 5.04. Evidence on Which Fiduciary May Act. Except as otherwise provided by Section 8.01 hereof, a Fiduciary 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 a Fiduciary 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, but in its discretion such Fiduciary may instead accept other evidence of such fact or matter.

Section 5.05. Compensation and Expenses. The Issuer shall pay to any Fiduciary from time to time reasonable compensation for all services, and also reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties hereunder. The Issuer shall indemnify and save any Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its own negligence, default or willful misconduct.

Section 5.06. Certain Permitted Acts. A Fiduciary may become the owner of or may deal in Refunding Notes as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, such Fiduciary 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 Holders of the Refunding Notes or effect or aid in any reorganization growing out of the enforcement of the Refunding Notes or this Supplemental Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the Refunding Notes Outstanding.

Section 5.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of its duties and obligations under this Supplemental Indenture by giving not less than sixty (60) days written notice to the Issuer, the Holders of the Refunding Notes, the Registrar specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or Holders of the Refunding Notes, in which event such resignation shall take effect immediately.

Section 5.08. Removal. The Trustee may be removed at any time by the Holders of a majority in principal amount of the Refunding Notes then Outstanding, by an instrument or concurrent

instruments in writing signed and duly acknowledged by such Holders or by their attorneys duly authorized in writing and delivered to the Issuer. Copies of each such instrument shall be delivered by the Issuer to the Trustee.

Section 5.09. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer or court shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Refunding Notes then Outstanding, by an instrument or concurrent instruments in writing signed by such Holders or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Issuer and the predecessor Trustee. Pending such appointment, the Issuer shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by such Holders. The Issuer shall, by registered or certified mail, mail notice of any such appointment to the Holders of the Refunding Notes at the address shown for each such Holder on the registry books maintained by the Registrar within 20 days after such appointment. Any successor Trustee appointed by the Issuer shall, immediately and without further act, be superseded by a Trustee appointed by such Holders. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Trustee or any Holder may apply to any court of competent jurisdiction to appoint a successor. Any Trustee appointed under the provisions of this section shall be a bank, trust company or national banking association doing business and having its principal office in the State, having trust powers and authorized to perform the duties imposed upon it by this Indenture and insured by FDIC.

Section 5.10. Transfer of Rights and Property to Successor. Any predecessor Trustee shall pay over, assign and deliver any moneys and Qualified Investments or assets of the Trust Estate held by it to its successor.

Section 5.11. Merger or Consolidation. Any company into which the Trustee 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 Trustee 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 Trustee 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 5.09.

Section 5.12. Additional and Successor Paying Agents and Registrars. A. The Issuer may at any time, with the approval of the Holders of the Refunding Notes and pursuant to Section 7.01 hereof, appoint one or more other Paying Agents having the qualifications hereinafter set forth as an additional or successor Paying Agent and appoint another Registrar, having the qualifications hereinafter set forth, as a successor Registrar.

B. Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by this Supplemental Indenture by giving at least 60 days' written notice to the Issuer, the Trustee and the other Paying Agents, if any. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar, as the case may be, and the Trustee and signed by the Issuer.

Any successor or additional Paying Agent and any successor Registrar must be a bank, trust company or national banking association authorized by law to perform all the duties imposed upon it by the Indenture. Such successor or additional Paying Agent or successor Registrar 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.

C. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or, if there be no successor, to the Trustee. In the event of the resignation or removal of the Registrar, such Registrar shall deliver the registration books of the Issuer to its successor, or, if there be no successor, to the Trustee. If the position of Paying Agent or Registrar 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 or the Registrar to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent or Registrar within said period, the Trustee shall, in its discretion, make such appointment or serve as such.

D. Any bank, trust company or national banking association with or into which any Paying Agent or the Registrar may be merged or consolidated, or to which the assets and business of such Paying Agent or Registrar may be sold, shall be deemed the successor of such Paying Agent or Registrar, as the case may be, for the purposes of this Indenture.

E. Notice of the appointment of successor or additional Paying Agents, Registrar or fiscal agents shall be given in the same manner as provided by Section 5.09 hereof with respect to the appointment of a successor Trustee.

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

ARTICLE VI

DEFEASANCE; DISCHARGE OF SUPPLEMENTAL INDENTURE

Section 6.01. Defeasance; Discharge of Supplemental Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Refunding Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Supplemental Indenture, then this Supplemental Indenture and the pledges of the balances of the EPA Retainage, the net proceeds of the Original Bonds, 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 Refunding Notes made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE VII

SUPPLEMENTAL INDENTURES

Section 7.01. Supplemental Indentures not Requiring Consent of Noteholders. The Issuer and the Trustee may without the consent of, or notice to, any of the Holders of the Refunding Notes enter into an indenture or indentures supplemental to this Supplemental Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(A) To specify, determine or authorize any matters and things concerning the Refunding Notes or the proceeds thereof which are not contrary to or inconsistent with this Indenture;

(B) To authorize a series of refunding notes or other obligations, and to specify, determine or authorize any matters and things concerning any such refunding notes or other obligations or the proceeds thereof which are not contrary to or inconsistent with this Supplemental Indenture;

(C) To impose additional covenants or agreements to be observed by the Issuer which are not contrary to or inconsistent with this Supplemental Indenture;

(D) To impose other limitations or restrictions upon the Issuer;

(E) To surrender any right, power or privilege reserved to or conferred upon the Issuer by this Supplemental Indenture;

(F) To confirm, as further assurance, any pledge of or lien upon the Grant Receipts, the net proceeds of the Original Bonds or any other moneys, securities or funds;

(G) To cure any ambiguity, omission or defect in this Indenture;

(H) To modify or amend any of the terms or provisions of this Supplemental Indenture if no Refunding Notes are Outstanding at the time of such modification or amendment; and

(I) To modify or amend any of the terms or provisions of this Supplemental Indenture, provided that such modification by its terms shall not take effect until all Refunding Notes Outstanding on the date of adoption of such modification or amendment shall have ceased to be Outstanding.

Section 7.02. Amendment by Consent of Holders. Except for the supplemental indentures allowed under Section 7.01 hereof, this Supplemental Indenture or any indenture supplemental hereto and the rights and obligations of the Issuer, the Trustee and the Holders of the Refunding Notes may be modified or amended only with the written consents of the Holders of 60% in aggregate principal amount of the Refunding Notes then Outstanding, which must be filed with the Trustee before any such modification or amendment may become effective. 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 Refunding Note without the express written consent of the Holder of such Refunding Note, nor reduce the percentage of Refunding Notes required for consent to any such modification or amendment.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Evidence of Signatures of Noteholders and Ownership of Refunding Notes. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by Holders of the Refunding Notes may be in one or more instrument of similar tenor, and shall be signed or executed by such Holders in person or by their attorneys duly authorized in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, or (ii) the ownership by any person of any Refunding Notes shall be sufficient for any purpose of this Supplemental Indenture if made in the following manner, or in any manner satisfactory to the appropriate Fiduciary, 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 Holder of the Refunding Notes or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments 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 one 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, trust company or financial firm or corporation satisfactory to the Fiduciary 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 Holder of the Refunding Notes 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 Refunding Notes owned by any person executing any such instrument as a Holder, the numbers and other identification thereof, and the date of his ownership of such Refunding Notes may be proved by a certificate, executed by the Registrar showing that at a date therein mentioned such person was the owner of such Refunding Notes as shown on the registry books maintained by the Registrar. Any request, consent or other instrument executed by the Holder of any Refunding Note shall bind

all future Holders of such Refunding Note, or any replacement or replacements therefor in respect of anything done or suffered to be done hereunder by the Issuer or the Trustee in accordance therewith.

Section 8.02. Preservation and Inspection of Documents.

All reports, certificates, statements and other documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Holder of a Refunding Note, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Indenture shall be discharged as provided in Section 6.01 hereof.

Section 8.03. Cancellation of Refunding Notes.

All Refunding Notes 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 Refunding Notes shall be deemed Outstanding under this Indenture and no Notes shall be issued in lieu thereof. All such Refunding Notes 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 8.04. Failure to Present Refunding Notes.

Anything in this Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Refunding Notes which remain unclaimed for 1 year after the date on which such Refunding Notes 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 Trustee or said Paying Agent to the Issuer as its absolute property and free from trust, and the Trustee or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Refunding Notes shall look only to the Issuer for the payment of such Refunding Notes; provided, however, that, before making any such payment to the Issuer, the Trustee or said Paying Agent shall at the expense of the Issuer cause to be mailed by registered or certified mail to the Holders of such Refunding Notes, at their respective addresses listed on the registry books maintained by the Registrar, 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 mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

Section 8.05. 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 Trustee, the Original Purchaser of the Refunding Notes or the Consulting Engineers 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:

A. Issuer:

Crab Orchard-MacArthur Public Service District
Post Office Drawer 278
Crab Orchard, West Virginia 25827
Attention: Chairman

B. Trustee:

Raleigh County National Bank
Post Office Box 1269
Beckley, West Virginia 25801
Attention: Corporate Trust Department

C. Consulting Engineers:

Stafford Consultants Incorporated
Post Office Box 5849
Princeton, West Virginia 24740
Attention: President

D. Original Purchaser of Refunding Notes:

Raleigh County National Bank
Post Office Box 1269
Beckley, West Virginia 25801
Attention: Commercial Loan 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 8.06. No Personal Liability. No officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Note, but nothing herein contained shall relieve any such official or employee from the performance of any official duty provided by law or this Supplemental Indenture.

Section 8.07. Law Applicable. The laws of the State shall govern the construction of this Supplemental Indenture and of all Refunding Notes issued hereunder.

Section 8.08. Parties Interested Herein. Nothing in this Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Trustee, the Registrar, the Paying Agent, and the Holders of the Refunding Notes any right, remedy or claim under or by reason of this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Registrar, the Paying Agent, and the Holders of the Notes.

Section 8.09. Status of Original Indenture. This Supplemental Indenture is supplemental to the Original Indenture, which shall remain in full force and effect until the Refunding Notes are fully paid or provision for such payment is made in accordance herewith. To the extent that any provision of this Supplemental Indenture may conflict with any provision of the Original Indenture, this Supplemental Indenture shall control.

Section 8.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Supplemental Indenture shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Indenture.

Section 8.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 8.12. Counterparts. This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT has caused this Supplemental Indenture to be executed on its behalf by the Chairman of its Public Service Board and has caused the seal of the Issuer to be hereunto affixed and duly attested by the Secretary of its Public Service Board; and RALEIGH COUNTY NATIONAL BANK, as Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Supplemental Indenture to be executed in its name by its duly authorized officer and its corporate seal to be hereunto affixed and duly attested, all as of the date and year first above written.

CRAB ORCHARD-MacARTHUR
PUBLIC SERVICE DISTRICT

[SEAL]

By Joseph L. Whitrow
Chairman

ATTEST:

By David H. Funk
Secretary

RALEIGH COUNTY NATIONAL BANK,
Trustee

[SEAL]

By W. David Mullis
Its Vice President & Trust Officer

ATTEST:

By [Signature]
Its Senior Vice President

The foregoing instrument was prepared by Vincent A. Collins of Steptoe & Johnson, Clarksburg, West Virginia.

"EXHIBIT A"

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION REFUNDING NOTE,
SERIES 1986

No. R-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That Crab Orchard-MacArthur Public Service District, a public service district organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "District"), for value received, hereby promises to pay to the order of Raleigh County National Bank, Beckley, West Virginia (the "Bank"), or registered assigns, on the 29th day of May, 1987, upon surrender hereof, the sum of _____ DOLLARS (_____). Interest on said sum from the date hereof at a rate per annum equal to 75% of the prime rate being charged by Chemical Bank, New York, New York, on the date hereof, but not more than 12% per annum, is payable monthly, on the first day of each month, commencing July 1, 1986. Principal of this Note is payable in any coin or currency which, on the maturity date hereof, is legal tender for the payment of public and private debts under the laws of the United States of America, at the principal office of Raleigh County National Bank, Beckley, West Virginia, as Registrar and Paying Agent (the "Registrar"). Interest on this Note is payable by check or draft mailed or otherwise delivered to the registered owner hereof at the address shown on the registry books maintained by the Registrar on the last day of the month preceding an interest payment date (or by such other method as may be mutually acceptable to the registered owner and the Registrar).

This Note represents the entire issue of Sewerage System Refunding and Construction Refunding Notes, Series 1986 (the "Notes"), in the aggregate principal amount of \$ _____, issued to evidence the District's obligation to reimburse the Bank for a draw by the Trustee under that certain Letter of Credit No. RCNB 197 (the "Letter of Credit") issued by the Bank. The proceeds of said draw, after the payment of the costs of issuance of the Notes and related costs, were deposited by the Trustee in the Notes Debt Service Fund created by Section 4.01 of the trust indenture dated as of December 1, 1983, between the District and the Trustee (the "Original Indenture") and used to pay a portion of the

principal of and interest on the District's \$7,620,000 in aggregate principal amount of Sewerage System Refunding and Construction Notes, Series 1983 (the "Construction Notes"), at the maturity thereof on June 1, 1986. The Construction Notes were issued to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes") and to pay certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of which had previously been paid in part from the proceeds of the 1982 Notes (the "Project") (the Project, together with any extensions and improvements thereto, is hereinafter referred to as the "System") pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA Grant Receipts") and of a grant from West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development "GOECD") (the grants from the Authority, ARC and GOECD, together with the proceeds of any other grant hereafter received by the District in aid of financing any costs of the Project, are hereinafter referred to as the "Other Grant Receipts") (The EPA Grant Receipts and the Other Grant Receipts are hereinafter referred to collectively as the "Grant Receipts") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser, and were issued in anticipation of such Grant Receipts and the net proceeds of such Original Bonds.

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 Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the public service board of the District on November 9, 1983, as supplemented by a supplemental refunding notes resolution duly adopted on May 27, 1986, and is issued and secured pursuant to the terms of Section 3.05 of the Original Indenture, as supplemented by a supplemental indenture dated May 29, 1986 (the "Supplemental Indenture"), in accordance with Subsection 9.01(B) of the Original Indenture (collectively, the "Indenture"), and is subject to all the terms and conditions of said Indenture.

This Note is subject to prepayment in whole or in part upon five (5) days' written notice to the registered owner hereof at a prepayment price equal to the principal amount hereof plus accrued interest to the date of prepayment, without premium.

This Note is a special obligation of the District, payable as to both principal and interest solely from (i) Grant Receipts received by the District after the date of delivery hereof; (ii) Original Bonds proceeds received by the District after the date

of delivery hereof; (iii) other moneys, including investment income and unexpended Construction Note proceeds, held in the funds and accounts established by the Indenture and pledged to payment of the Construction Notes; and (iv) the net revenues derived from the operation of the System (the "Net Revenues"), but such pledge of Net Revenues shall be junior and subordinate in all respects with the pledge thereof in favor of the holders of the Original Bonds. Pursuant to the Indenture, the District has pledged and assigned said Grant Receipts, and said other moneys, including investment' income and unexpended Construction Note proceeds held in the funds and accounts established by the Indenture, and said Net Revenues to the Trustee, to be held by the Trustee to secure the payment of the Notes, provided that said pledge of the Net Revenues is subordinate to the lien on behalf of the Original Bonds. The payment of the principal of and interest on this Note is further secured by the statutory mortgage lien created by Section 19 of the Act, provided that such statutory mortgage lien shall be junior and subordinate to the statutory mortgage lien in favor of the holders of the Original Bonds.

This Note does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same or the interest hereon except from the sources specified above. The general funds, if any, of the District are not liable, and neither the full faith and credit nor the taxing power, if any, of the District is pledged, for the payment of the principal of or interest on this Note.

Under the Indenture, the District has entered into certain covenants on behalf of the registered owner hereof, for the terms of which reference is made to said Indenture. The District has covenanted not to issue any obligations with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on behalf of the Notes, so long as the Notes are outstanding; provided, that the Original Bonds have a prior lien on the Net Revenues. Remedies provided the Trustee on behalf of the registered owner hereof, and to said registered owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

Notwithstanding any other provision hereof to the contrary, in the event that this Note is not paid in full at or prior to the maturity hereof, it shall thereafter bear interest at the rate of 12% per annum; provided, that in no event shall this Note remain unpaid in full more than 5 years after the stated date of maturity hereof.

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, but may be transferred only on the books of the District kept for that purpose at the office of the Trustee, upon surrender of this Note to the Trustee together with a written instrument of transfer satisfactory to the Trustee and as otherwise provided by the Indenture.

All money received from the draw under the Letter of Credit, the reimbursement to the Bank of which is evidenced by the Notes, shall be applied solely to the payment of the costs of issuance of the Notes and related costs and to the payment of the principal of and interest on the Construction Notes at the maturity thereof, to the extent the EPA Retainage Deficiency, as defined in the Indenture and the Letter of Credit, and the Indenture creates a lien upon such moneys, until so applied, in favor of the registered owner hereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note 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 District, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

IN WITNESS WHEREOF, CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of its Public Service Board, and has caused this Note to be dated May 29, 1986.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This Note is one of the Notes described in the within-mentioned Indenture and has been duly registered in the name set forth above.

Date: _____

RALEIGH COUNTY NATIONAL BANK,
as Registrar

By _____
Its Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto [please print or type name, address and federal employer identification number, social security number or similar taxpayer identification number of transferee] _____

the within Note of the Crab Orchard-MacArthur Public Service District, Raleigh County, West Virginia, and does hereby irrevocably constitute and appoint _____, attorney to transfer the said Note on the books of the District, with full power of substitution in the premises.

[The signature of this Assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.]

DATED: _____

In the Presence of: _____

05/27/86
CROR3-A

Raleigh County National Bank

May 29, 1986

Raleigh County National Bank
129 Main Street, Box 1269
Beckley, West Virginia 25801

Attention: Commercial Loan Department
Letter of Credit No. RCNB 197

Gentlemen:

We refer to your Letter of Credit No. RCNB 197 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein.

1. As the Trustee pursuant to the Indenture, in trust for the registered owners of the below-mentioned Notes, we hereby make demand for payment under the Letter of Credit to pay the unpaid principal of and interest on the Notes, which have been duly issued by the District under and in accordance with the Indenture and the Resolution, to the extent of the sum of the EPA Retainage Deficiency and the Local Share Deficiency, but not to exceed \$4,070,000, less the costs of issuing the Refunding Notes.

2. Said Notes all mature on June 1, 1986.

3. The amount of principal and interest due and payable in respect of such Notes on the maturity thereof is Seven Million Eight Hundred Eighty-Six Thousand Seven Hundred Dollars (\$7,886,700).

4. The amount on deposit in the Notes Debt Service Fund, including the Notes Capitalized Interest Account therein, created by Section 4.01 of the Indenture is Three Million Nine Hundred Seventy Thousand Six Hundred Thirty Dollars (\$3,970,630). The amount of Bond proceeds to be deposited in the Notes Debt Service Fund on or before June 1, 1986, is Three Million Six Hundred Eighty-Five Thousand One Hundred Seventy-Seven Dollars (\$3,685,177). Therefore the aggregate amount which will be on deposit in the Notes Debt Service Fund is Seven Million Six Hundred Fifty-Five Thousand Eight Hundred Seven Dollars (\$7,655,807).

5. There is a positive difference when the aggregate amount mentioned in Item 4 above is subtracted from the aggregate amount mentioned in Item 3 above; accordingly, the amount on deposit in the Notes Debt Service Fund is not sufficient to pay the principal of and interest on the Notes at maturity to the extent of such positive difference.

6. Such deficiency in the Notes Debt Service Fund is due in whole or in part (i) to the EPA Retainage, (ii) to the District's failure to issue and sell the Original Bonds as prescribed by the Indenture, or (iii) both. In making such statement, we have relied upon certain representatives made to us by the District.

7. The amount of such deficiency attributable to the EPA's withholding the EPA Retainage (the EPA Retainage Deficiency) is \$230,893. In making such statement, we have relied upon certain representations made to us by the District.

8. The amount of such deficiency attributable to the District's failure to issue the Original Bonds in an amount, the net proceeds of which shall at last equal the Local Share (the Local Share Deficiency) is \$-0-. In making such statement, we have relied upon certain representations made to us by the District.

9. Accordingly, the sum of the EPA Retainage Deficiency and the Local Share Deficiency is \$230,893.

10. The estimated costs of issuing the Refunding Notes aggregate \$-0-. In making such statement, we have relied upon certain representations made to us by the District.

11. Payment is hereby demanded for the amount set forth in Paragraph 9, above, being the sum of the EPA Retainage Deficiency and the Local Share Deficiency, plus the estimated costs of issuing the Refunding Notes set forth in Paragraph 10, above, such total amount thereby demanded being, as expressed in words and figures:

TWO HUNDRED THIRTY THOUSAND EIGHT HUNDRED NINETY-THREE DOLLARS
(\$230,893).

12. Upon receipt of the amount demanded under this Letter of Credit, we will (a) deposit the amount specified in Paragraph 9 in the Notes Debt Service Fund and apply it promptly to the payment of the principal and interest owing on account of the Notes and apply the amount specified in Paragraph 10 directly to the payment of the costs incurred by the District in issuing its Refunding Notes and (b) cause each such Note to be marked "paid as to principal and interest" and cancel or cause to be cancelled any such Notes which have been paid in full in accordance with the Indenture. Except with respect to the amount specified in Paragraph 10 for payment of the costs of issuance of the Refunding Notes, no portion of said amount will be applied by us for any purpose other than to pay the principal of and interest on the Notes at the maturity thereof.

Raleigh County National Bank
Page 3

Please deposit the amount hereby demanded in our
account number 000 957 4 with Raleigh County National Bank.

By 
Trust Officer

Copy of Letter to:
Mr. Joseph L. Withrow, Chairman
Crab Orchard-MacArthur Public Service District

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

Sewerage System Refunding and Construction
Refunding Notes, Series 1986

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. NO LITIGATION
3. CERTIFICATION OF COPIES OF DOCUMENTS
4. INCUMBENCY AND OFFICIAL NAME
5. MEETINGS, ETC.
6. GRANTS
7. INDENTURE
8. RATES
9. SIGNATURES AND DELIVERY
10. REFUNDING NOTES PROCEEDS
11. PUBLICATION AND POSTING OF NOTICE OF BORROWING AND PETITION
12. SPECIMEN REFUNDING NOTES

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Crab Orchard-MacArthur Public Service District in Raleigh County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Governmental Agency, hereby certify in connection with the \$320,893 aggregate principal amount Crab Orchard-MacArthur Public Service District Sewerage System Refunding and Construction Refunding Notes, Series 1986 (the "Refunding Notes"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond and Notes Resolution of the Issuer adopted November 9, 1986, and a Supplemental Refunding Notes Resolution adopted May 17, 1986 (collectively, the "Resolution") and the Trust Indenture dated as of December 1, 1983, by and between the Issuer and Raleigh County National Bank, as Trustee, as supplemented by a Supplemental Indenture dated as of May 19, 1986 (collectively, the "Indenture").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Refunding Notes, receipt of the Grant Receipts, or in any way contesting or affecting the validity of the Refunding Notes or the Grants or any proceedings of the Issuer taken with respect to the

issuance or sale of the Refunding Notes, the pledge or application of any moneys or security provided for the payment of the Refunding Notes or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Refunding Notes, receipt of the Grant Receipts or such pledge or application of moneys and security.

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

Order of County Commission creating Public Service District.

Orders of County Commission appointing current members to Public Service Board.

Certified copies of oaths of office of current members of Public Service Board.

Rules of Procedure of Public Service Board.

Affidavit of Publication of Notice of Borrowing and Petition Form.

Bond and Notes Resolution.

Supplemental Refunding Notes Resolution.

Minutes on 1986 Organizational Meeting and Adoption of Bond and Notes Resolution and Supplemental Bond Resolution.

Trust Indenture.

Supplemental Trust Indenture.

EPA Grant Agreement, as amended.

WDA Grant Agreement.

ARC Grant Agreement.

West Virginia Partnership Grant Agreement.

Raleigh County Commission Grant Agreement.

Public Service Commission Final Orders entered October 14, 1983, December 6, 1983, and _____, 1986.

4. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Governmental Agency is "Crab Orchard-MacArthur Public Service District" and it is a public service district duly created by The County Commission of Raleigh County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Governmental Agency is its Public Service Board consisting of 3 members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Joseph L. Withrow		
Mason B. Lilly	November, 1980	December, 1986
David W. Fink		

The names of the duly elected, qualified and acting officers of the Public Service Board of the Governmental Agency for the calendar year 1986 are as follows:

Chairman	-	Joseph L. Withrow
Secretary/Treasurer	-	David Fink

The duly appointed and acting Attorney for the Governmental Agency is Warren A. Thornhill, III of Beckley, West Virginia.

5. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance or delivery of the Refunding Notes were authorized or adopted at regular or special meetings of the Governing Body of the Governmental Agency duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A, of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the Governing Body was present and acting at all times during all such meetings.

6. GRANTS: As of the date hereof, the EPA has committed to the Governmental Agency the approximate amount of \$_____. Said commitment of EPA is as of this date is

still in force and effect. The Other Grants are committed to the Issuer and as of this date remain in force and effect.

7. INDENTURE: As of the date hereof, (i) the representations of the Issuer contained in the Indenture are true and correct in all material respects as if made on the date hereof; and (ii) the Indenture does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

8. RATES: The Governmental Agency has received an Order of the Public Service Commission of West Virginia entered October 14, 1983, approving rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges.

9. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Refunding Notes of the aforesaid issue, all dated May 29, 1986, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Governmental Agency to be affixed upon each of said Refunding Notes and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Refunding Notes to a representative of the Bank as the original purchaser of the Refunding Notes under the Indenture. Said official seal is also affixed above the signatures appearing on this certificate.

10. REFUNDING NOTES PROCEEDS: On the date hereof the Issuer received from the Bank the agreed purchase price of the Refunding Notes, being \$320,893 (100% of par value), and has caused such proceeds to be deposited in accordance with the Indenture.

11. PUBLICATION AND POSTING OF NOTICE OF BORROWING AND PETITION: The Governmental Agency has published and posted a notice with respect to the acquisition and construction of the Project and incurring of the debt evidenced by the Refunding Notes and has provided a petition form permitting registered voters who may be opposed to such acquisition and construction or borrowing to sign such petition, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended. Less than 50% of the registered voters in the area to be served by the Project have signed such petition.

12. SPECIMEN REFUNDING NOTES: Delivered concurrently herewith is a true and accurate specimen of the Refunding Notes.

WITNESS our signatures and the official seal of CRAB
ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT on this 29th day of May,
1986.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Joseph L. Nicholas Chairman

David N. Fisk Secretary

David A. Thornhill III Attorney for Governmental Agency

05/28/86

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CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

Sewerage System Refunding and Construction
Refunding Notes, Series 1986

CERTIFICATE AS TO ARBITRAGE

I, JOSEPH L. WITHROW, Chairman of the Public Service Board of Crab Orchard-MacArthur Public Service District, in Raleigh County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$230,893 aggregate principal amount of Sewerage System Refunding and Construction Refunding Notes, Series 1986, of the Issuer, dated May 29, 1986 (the "Refunding Notes"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Sections 1.103-13, 1.103-14 and 1.103-15 of the Income Tax Regulations (the "Regulations") promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended ("Section 103(c)"). I am one of the officers of the Issuer charged with the responsibility of issuing the Refunding Notes. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

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

3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer the certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on May 29, 1986, the date on which the Refunding Notes, are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the resolution pursuant to which the Refunding Notes are issued, the Issuer has covenanted to make no use of the proceeds of the Refunding Notes which would cause the Refunding

Notes to be "arbitrage bonds" within the meaning of the Regulations or Section 103(c).

6. The Refunding Notes were sold on May 29, 1986, to Raleigh County National Bank, Beckley, West Virginia (the "Bank") for a purchase price of \$230,893 (100% of par).

7. The Refunding Notes are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of refunding a portion of the Sewerage System Refunding and Construction Notes, Series 1983, of the Issuer (the "Notes") issued to finance part of the costs of acquisition and construction of certain new sanitary sewage facilities (the "Project") for which other funds of the Issuer will not be available prior to the maturity of the Notes. The remainder of such costs are expected to be paid from a grants from the United States Environmental Protection Agency ("EPA") in the amount of \$_____ and other grants.

8. The Issuer has, prior to delivery of the Refunding Notes, entered into agreements which require the Issuer to expend in excess of \$100,000 on the Project. The Issuer expects that all of the proceeds from the sale of the Refunding Notes will be spent on or before June 1, 1986.

9. The Refunding Notes will be paid from (i) Grant Receipts; (ii) proceeds of the Bonds; and (iii) if necessary, the Net Revenues. There are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Refunding Notes or which are pledged as collateral for the Refunding Notes and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Refunding Notes.

10. At least 85% of the spendable proceeds of the Refunding Notes will be expended to pay the Notes within 36 months from the date of issuance thereof.

11. The original proceeds of the Refunding Notes will not exceed the amount necessary for the purposes of the issue.

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

IN WITNESS WHEREOF, I have set my hand this 29th day of
May, 1986.

Joseph L. Whitrow
Chairman

05/28/86
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CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

Sewerage System Refunding and Construction
Refunding Notes, Series 1986

DIRECTION TO AUTHENTICATE AND DELIVER NOTES

Raleigh County National Bank,
as Registrar
Beckley, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Note No. AR-1, constituting the entire original issue of Crab Orchard-MacArthur Public Service District Sewerage System Refunding and Construction Refunding Notes, Series 1986, dated May 29, 1986, in the principal amount of \$230,893 (the "Refunding Notes") executed by the Chairman and Secretary of the Public Service Board of Crab Orchard-MacArthur Public Service District (the "Governmental Agency") and bearing the official seal of the Governmental Agency, authorized to be issued under and pursuant to a Bond and Notes Resolution and Supplemental Refunding Notes Resolution duly adopted by the Governmental Agency (collectively, the "Resolution");

(2) A copy of the Resolution authorizing the above Refunding Notes issue and the execution and delivery of the Supplemental Indenture, duly certified by the Secretary of the Governmental Agency;

(3) An original executed counterpart of the Supplemental Indenture dated May 29, 1986, by and between the District and Raleigh County National Bank, as trustee;

(4) A signed opinion of nationally recognized bond counsel regarding the validity of the Refunding Notes and the Supplemental Indenture.

You are hereby requested and authorized to deliver the Refunding Notes to Raleigh County National Bank, as the original purchaser thereof, upon payment to the Trustee, but for the account of the District of the sum of \$230,893, representing the agreed purchase price of the Refunding Notes, there being no accrued interest thereon. Prior to such delivery of the Refunding Notes,

you will please cause the Refunding Notes to be authenticated by an authorized officer, as Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 29th day of May, 1986.

CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT

By Joseph L. Withrow
Chairman

05/28/86
CROR4-B



STEPTOE & JOHNSON

ATTORNEYS AT LAW

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May 29, 1986

CHARLESTON

CHARLES W. YEAGER

CARL F. STUCKY, JR.

OTIS L. O'CONNOR

WAYNE A. SINCLAIR

JAMES R. WATSON

DANIEL R. SCHUDA

SPRAGUE W. HAZARD

HERSCHEL H. ROSE III

CHRISTOPHER P. BASTIEN

STEVEN R. MCGOWAN

OF COUNSEL

ROBERT W. LAWSON, JR.

EDWARD W. EARDLEY

EUGENE G. EASON

WILLIS O. SHAY

WRITER'S DIRECT DIAL NUMBER

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WILLIAM E. GALEOTA
GORDON H. COPLAND
RANDALL C. LIGHT
RICHARD M. YURKO, JR.
GARY W. NICKERSON
W. RANDOLPH FIFE

Crab Orchard-MacArthur Public Service District
Sewerage System Refunding and Construction
Refunding Notes, Series 1986

Raleigh County National Bank,
as Registrar
Beckley, West Virginia 25801

Ladies and Gentlemen:

We are bond counsel to Crab Orchard-MacArthur Public Service District (the "Issuer"), a public service district and a public corporation and political subdivision created and existing under Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

We have examined a certified copy of proceedings and other papers relating to the issuance of the captioned Notes of the Issuer, dated May 29, 1986 (the "Refunding Notes"), and the delivery thereof to Raleigh County National Bank, as original purchaser thereof (the "Bank"). The Refunding Notes are in the principal amount of \$230,893, originally issued in the form of one note, registered as to principal and interest to the Bank, with interest payable on the first day of each month; commencing July 1, 1986, at a rate per annum equal to 75% of the prime rate being charged by Chemical Bank, New York, New York, on the date hereof, and maturing May 29, 1987.

The Refunding Notes are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, the Act, for the purposes of evidencing a draw under a letter of credit dated as of December 7, 1983, established by the Bank for the benefit of the Issuer to secure the Issuer's Sewerage System Refunding and Construction Notes, Series 1983 (the "Construction Notes") heretofore issued to finance part of the costs of acquisition and construction of new sewage treatment, collection and transportation facilities (the "Project") pending

//

issuance of the certain sewer revenue Bonds and receipt of certain grant proceeds.

We have also examined a bond and notes resolution and a supplemental refunding notes resolution (collectively, the "Resolution") duly adopted by the Issuer and a Trust Indenture and Supplemental Trust Indenture (collectively, the "Indenture"), pursuant to which the Refunding Notes were issued.

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

1. The Issuer is a duly organized and presently existing public service district 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 Resolution and to issue and sell the Refunding Notes, all under the Act and other applicable provisions of law.

2. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Refunding Notes.

3. The Refunding Notes are valid and legally enforceable special obligations of the Issuer, payable from the sources described in the Indenture, all in accordance with the terms of the Refunding Notes and the Resolution, and the Refunding Notes have been duly issued and delivered to the Bank.

4. The Refunding Notes are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and interest on the Refunding Notes is exempt from personal income taxes imposed directly thereon by the State of West Virginia. Under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Refunding Notes is exempt from federal income taxation.

We have reviewed the provisions of H.R. 3838, the "Tax Reform Act of 1985," as adopted by the United States House of Representatives on December 17, 1985, and a joint statement issued by the chairmen and ranking minority members of the Ways and Means Committee of the United States House of Representatives and the Finance Committee of the United States Senate, together with the Secretary of the United States Treasury Department, endorsing the postponement of the effective date of certain provisions of H.R. 3838. It is our opinion that the Refunding Notes are of the type entitled to such effective date postponement and that, based upon such joint statement, except as set forth below, none of the provisions of H.R. 3838 which may be applicable to the Refunding Notes are in effect as of the date hereof, nor will any of such provisions be retroactively applied, and

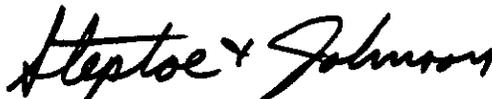
therefore interest on the Refunding Notes would be exempt from federal income taxation under H.R. 3838 as adopted by the United States House of Representatives with effective dates modified in accordance with the joint statement referred to above.

Please be advised that under H.R. 3838, the interest on the Refunding Notes may, with respect to property and casualty insurance companies, be subject to an alternative minimum tax during taxable years beginning after 1987 and under H.R. 3838, any interest deduction incurred by banks, thrift institutions and other financial institutions to purchase or carry the Refunding Notes may be denied.

Please be further advised that the rights of the holders of the Refunding Notes and the enforceability of the Refunding Notes, the Resolution and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights (to the extent constitutionally applicable) and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

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

Very truly yours,


STEPTOE & JOHNSON

05/28/86
CROR4-A



STEPTOE & JOHNSON

ATTORNEYS AT LAW

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Crab Orchard-MacArthur Public Service District
Sewerage System Refunding and Construction
Refunding Notes, Series 1986

Raleigh County National Bank,
as Registrar
Beckley, West Virginia 25801

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of \$230,893 aggregate principal amount of (the "Refunding Notes") of Crab Orchard-MacArthur Public Service District (the "Issuer"), and a Certificate as to Arbitrage executed by the Chairman of the Public Service Board of the Issuer on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Arbitrage are sufficient to satisfy the requirements of Section 103(c) of the Internal Revenue Code of 1954, as amended, and Treasury Regulations promulgated thereunder, particularly Sections 1.103-13, 1.103-14 and 1.103-15, to support the conclusion that the Refunding Notes are not "arbitrage bonds" as therein defined. No matters have come to our attention which make unreasonable or incorrect the representations made in said Certificate.

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

Very truly yours,

Stephoe & Johnson
STEPPOE & JOHNSON

05/28/86
CROR1-J

12.



(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF RALEIGH
CRAB ORCHARD-MACARTHUR PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REFUNDING AND CONSTRUCTION REFUNDING NOTE,
SERIES 1986

No. R-1

\$230,893

KNOW ALL MEN BY THESE PRESENTS: That Crab Orchard-MacArthur Public Service District, a public service district organized and existing under the laws of, and a political subdivision of, the State of West Virginia (the "District"), for value received, hereby promises to pay to the order of Raleigh County National Bank, Beckley, West Virginia (the "Bank"), or registered assigns, on the 29th day of May, 1987, upon surrender hereof, the sum of TWO HUNDRED THIRTY THOUSAND EIGHT HUNDRED NINETY-THREE DOLLARS (\$230,893). Interest on said sum from the date hereof at the rate of 6.38% per annum is payable monthly, on the first day of each month, commencing July 1, 1986. Principal of this Note is payable in any coin or currency which, on the maturity date hereof, is legal tender for the payment of public and private debts under the laws of the United States of America, at the principal office of Raleigh County National Bank, Beckley, West Virginia, as Registrar and Paying Agent (the "Registrar"). Interest on this Note is payable by check or draft mailed or otherwise delivered to the registered owner hereof at the address shown on the registry books maintained by the Registrar on the last day of the month preceding an interest payment date (or by such other method as may be mutually acceptable to the registered owner and the Registrar).

This Note represents the entire issue of Sewerage System Refunding and Construction Refunding Notes, Series 1986 (the "Notes"), in the aggregate principal amount of \$230,893, issued to evidence the District's obligation to reimburse the Bank for a draw by the Trustee under that certain Letter of Credit No. RCNB 197 (the "Letter of Credit") issued by the Bank. The proceeds of said draw, after the payment of the costs of issuance of the Notes and related costs, were deposited by the Trustee in the Notes Debt Service Fund created by Section 4.01 of the trust indenture dated as of December 1, 1983, between the District and the Trustee (the "Original Indenture") and used to pay a portion of the principal of and interest on the District's \$7,620,000 in aggregate principal amount of Sewerage System Refunding and Construction Notes, Series 1983

(the "Construction Notes"), at the maturity thereof on June 1, 1986. The Construction Notes were issued to refund the District's Sewerage System Construction Notes, Series 1982 (the "1982 Notes") and to pay certain of the costs of the construction and acquisition of certain new sewerage facilities of the District, a portion of which had previously been paid in part from the proceeds of the 1982 Notes (the "Project") (the Project, together with any extensions and improvements thereto, is hereinafter referred to as the "System") pending the receipt by the District of the proceeds of three grants from the United States Environmental Protection Agency (the "EPA Grant Receipts") and of a grant from West Virginia Water Development Authority (the "Authority"), two grants from the Appalachian Regional Commission ("ARC") and two grants from the West Virginia Governor's Office of Economic and Community Development "GOECD") (the grants from the Authority, ARC and GOECD, together with the proceeds of any other grant hereafter received by the District in aid of financing any costs of the Project, are hereinafter referred to as the "Other Grant Receipts") (The EPA Grant Receipts and the Other Grant Receipts are hereinafter referred to collectively as the "Grant Receipts") and the issuance by the District of its Sewer Revenue Bonds (the "Original Bonds") to the Authority or to another purchaser, and were issued in anticipation of such Grant Receipts and the net proceeds of such Original Bonds.

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 Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the public service board of the District on November 9, 1983, as supplemented by a supplemental refunding notes resolution duly adopted on May 27, 1986, and is issued and secured pursuant to the terms of Section 3.05 of the Original Indenture, as supplemented by a supplemental indenture dated May 29, 1986 (the "Supplemental Indenture"), in accordance with Subsection 9.01(B) of the Original Indenture (collectively, the "Indenture"), and is subject to all the terms and conditions of said Indenture.

This Note is subject to prepayment in whole or in part upon five (5) days' written notice to the registered owner hereof at a prepayment price equal to the principal amount hereof plus accrued interest to the date of prepayment, without premium.

This Note is a special obligation of the District, payable as to both principal and interest solely from (i) Grant Receipts received by the District after the date of delivery hereof; (ii) Original Bonds proceeds received by the District after the date of delivery hereof; (iii) other moneys, including investment income and unexpended Construction Note proceeds, held in the funds and accounts established by the Indenture and pledged to payment of the

Construction Notes; and (iv) the net revenues derived from the operation of the System (the "Net Revenues"), but such pledge of Net Revenues shall be junior and subordinate in all respects with the pledge thereof in favor of the holders of the Original Bonds. Pursuant to the Indenture, the District has pledged and assigned said Grant Receipts, and said other moneys, including investment' income and unexpended Construction Note proceeds held in the funds and accounts established by the Indenture, and said Net Revenues to the Trustee, to be held by the Trustee to secure the payment of the Notes, provided that said pledge of the Net Revenues is subordinate to the lien on behalf of the Original Bonds. The payment of the principal of and interest on this Note is further secured by the statutory mortgage lien created by Section 19 of the Act, provided that such statutory mortgage lien shall be junior and subordinate to the statutory mortgage lien in favor of the holders of the Original Bonds.

This Note does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same or the interest hereon except from the sources specified above. The general funds, if any, of the District are not liable, and neither the full faith and credit nor the taxing power, if any, of the District is pledged, for the payment of the principal of or interest on this Note.

Under the Indenture, the District has entered into certain covenants on behalf of the registered owner hereof, for the terms of which reference is made to said Indenture. The District has covenanted not to issue any obligations with a lien on or otherwise payable from any source of payment pledged for the Notes prior to or on behalf of the Notes, so long as the Notes are outstanding; provided, that the Original Bonds have a prior lien on the Net Revenues. Remedies provided the Trustee on behalf of the registered owner hereof, and to said registered owner, are exclusively as provided in the Indenture, to which reference is here made for a detailed description thereof.

Notwithstanding any other provision hereof to the contrary, in the event that this Note is not paid in full at or prior to the maturity hereof, it shall thereafter bear interest at the rate of 12% per annum; provided, that in no event shall this Note remain unpaid in full more than 5 years after the stated date of maturity hereof.

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, but may be transferred only on the books of the District kept for that purpose at the office of the Trustee,

upon surrender of this Note to the Trustee together with a written instrument of transfer satisfactory to the Trustee and as otherwise provided by the Indenture.

All money received from the draw under the Letter of Credit, the reimbursement to the Bank of which is evidenced by the Notes, shall be applied solely to the payment of the costs of issuance of the Notes and related costs and to the payment of the principal of and interest on the Construction Notes at the maturity thereof, to the extent the EPA Retainage Deficiency, as defined in the Indenture and the Letter of Credit, and the Indenture creates a lien upon such moneys, until so applied, in favor of the registered owner hereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note 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 District, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

IN WITNESS WHEREOF, CRAB ORCHARD-MacARTHUR PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of its Public Service Board, and has caused this Note to be dated May 29, 1986.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This Note is one of the Notes described in the within-mentioned Indenture and has been duly registered in the name set forth above.

Date: _____

RALEIGH COUNTY NATIONAL BANK,
as Registrar

By _____
Its Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto [please print or type name, address and federal employer identification number, social security number or similar taxpayer identification number of transferee] _____

_____ the within Note of the Crab Orchard-MacArthur Public Service District, Raleigh County, West Virginia, and does hereby irrevocably constitute and appoint _____, attorney to transfer the said Note on the books of the District, with full power of substitution in the premises.

[The signature of this Assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.]

DATED: _____

In the Presence of: _____

05/28/86
CROR3-C